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Volume LXXXVII

Number Three

REVIEW OF REVIEWS AND WORLD'S WORK

Edited by ALBERT SHAW

The Progress of the World

Mr. Roosevelt Prepares to Take Office, 9 . . . Who Will Pay the Debts? 9 . . . Cabinet-Making from McKinley to Wilson, 10 . . . Twelve Years of Republican Administration, 12 . . . Problems That Face Mr. Roosevelt, 13 . . . An Expert on Currency and Inflation, 14 . . . A Budget Still Out of Balance, 15 . . . The End of "Lame Duck" Sessions, 16.

Special Features

ASPECTS OF DEBT REVISION	Frederic A. Delano 18
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THE FUTURE OF THE FARM FAMILY	L. J. Dickinson 22
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RAILWAY REGULATION IN PRACTICE	Anonymous 27
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THE RAILROADS CONSIDER COMFORT	56

Departments

The World of Books	4
Our Authors	7
Civic Achievements	38
The March of Events	40
Cartoon Sidelights	41
From the Month's Magazines	44
Gentleman from "Loosiana," 44 . . . International Army for the League of Nations?, 45 . . . Back to Farming?, 46.	
Finance and Business	48

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The Committee on Publication had also in mind the splendid cross-section of human knowledge which had already been offered to the world in the International Scientific Series during the '70s and '80s of the last century. These volumes, introduced by Tyndall's "Forms of Water", numbered nearly a hundred and were published in four important languages. The scholarship of the authors was beyond question; their style possessed a rare combination of interest and simplicity.

The International Congress of Arts and Science, held at the St. Louis Exposition, resulted in a comprehensive and well-balanced compendium of learning in eight volumes.

The Romance of Science Series which appeared shortly before the close of the last century did much to redeem the current newspaper idea of "popular science."

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The investigator can never rid himself of the long hours of drudgery in the laboratory and the library, nor can he avoid the expense of money. But the reader of this series has the opportunity to enter at will into conversation with any one of twenty genial men of science, and this without any of the unnecessary arid details. These authors do not thrust themselves upon one; they hold parley with him only when he is at leisure and when he welcomes them.

—HENRY CREW.

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Savagery to Civilization.....by Fay Cooper-Cole

The Williams and Wilkins Company, Baltimore, and the Century Company, New York, are co-publishers of the Century of Progress Series. Each book sells for \$1.

"Polonia Restituta"

The Cauldron Boils, by Emil Lengyel. Dial Press, 246 pp. \$2.50.

POLAND is today a "boiling cauldron". She is on the worst of terms with Russia, with Germany, with Lithuania; on indifferent terms with Czechoslovakia; on good terms only with backward Rumania. Within her borders one-third of her thirty millions are non-Polish subjects, against whom arrant discrimination is practised by the army and the dominant race. Ukrainians, White Russians, Jews, and Germans constitute these unhappy minorities. They are Orthodox and Protestant and Hebraic in religion, while the true Poles are ardently Roman Catholic. These are the conclusions of Mr. Lengyel.

He reminds us that Poland has border controversies with Germany over the Polish Corridor, Danzig, and Upper Silesia; with Lithuania over the city of Vilna. The Ukrainians of Poland probably desire union with their kinsmen of the Ukrainian Soviet Republic, who have complete cultural autonomy under the U. S. S. R. The Upper Silesian question has set up an economic atrocity, by political subdivision of this great coal mining area after a bogus referendum. Old Marshal Pilsudski, the Polish dictator, is an admirable figure—but he is forced to shout the ultra-nationalist opposition despite his very evident common sense. The Pole is by nature a likeable fellow who gets along well with his neighbors, but centuries of oppression have instilled in him a false patriotism pregnant with trouble. All these difficulties are ably treated by this experienced author.

Historical Geography

Atlas of the Historical Geography of the United States, by Charles O. Paullin. Carnegie Institution (Washington); American Geographical Society (New York). 162 pp., 166 plates, \$15.

HERE is a super-atlas which tells, in its manifold maps, the complete history of the United States of America. Every phase of our national development is taken up, from the location of Indian tribes and linguistic stocks down to the operations of the American Expeditionary Force in France in 1918. Other divisions include colonial exploration of 1535 to 1852; lands and land-grants of 1603 to 1930; population by towns and settlements, states, territories, and cities, from 1650 to 1930; in short, population

maps of every description. Colleges, universities, and churches are shown; boundaries of 1607 to 1927; political parties and opinion from 1788 to 1930; industries and transportation from 1620 to 1931; foreign commerce; distribution of wealth, including per capita figures, banks, taxable property, and federal income levies from 1799 to 1928. There are plans of early cities, including Boston, Philadelphia, Charlestown, New Orleans, Washington, New York, and Baltimore, from 1775 to 1803; and a complete military history, with every American campaign delineated (and we have had too many of them!). Finally, we find "possessions and territorial claims of the United States; also certain military operations and grounds formerly frequented (1815-1860) by American whalers". There is an elaborate index, and also explanatory data relative to the priceless maps which tell the story.

The reviewer, who is something of a student of history, considers this volume quite beyond praise. Its author, Charles O. Paullin, is attached to the Carnegie Institution of Washington; and the work has been ably edited by John K. Wright, librarian of the American Geographical Society of New York. Their two useful institutions have jointly published the big book; and by so doing they have performed a genuine public service to libraries, universities, and, for that matter, to the educated public generally.

Briefer Comment

• • IN 1928 there were those who felt that the business cycle was a thing of the past. E. C. Harwood believes that the present depression is proof enough that the cycle is still with us. "Cause and Control of the Business Cycle" (Financial Publishing Co., Boston, \$2.) is an expert's analysis of its cause and meaning; and an attempt to study ways of controlling it.

• • AGRICULTURAL relief by allotment methods is very much in the news and gives a timely note to "Voluntary Allotment", by Edward S. Mead and Bernhard Ostrolenk. Their book discusses the culminating difficulties of American agriculture, and describes the workings and benefits of controlled production as applied to our greatest industry. (University of Pennsylvania, Philadelphia, \$1.50.)

• • SHORTLY after publication of "A Mind That Found Itself", in 1908, its author, Clifford W. Beers, founded the National Committee for Mental Hygiene. The book, entirely autobiographical, described the long hard road of a mind that fought its way from maladjustment back to health; the Committee undertook the task of making the road easier for others. The book (Doubleday, Doran, \$2) has now gone into its nineteenth printing, and continues to be an inspiring story of what a man can do.

• • "THE CRISIS OF GERMAN DEMOCRACY" will prove a delight to every student of government. It is a readably

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I have ordered a copy and have it available for reference with any individuals who ask advice in the area of sex relations. It is an excellent resource for people who are seeking the truth.

Abel J. Gregg.

"Sane Sex Life" Recommended by Medical Magazine

This book is concise and unprejudiced. Dr. Long does not avoid any of the more delicate subjects which authors writing on this subject are prone to omit. It very often occurs that the family physician is at a loss when called upon to explain and describe the functions of a sane sex life due to perhaps, time and circumstances. "Sane Sex Life and Sane Sex Living" is a veritable gold mine in this respect. It should prove of value particularly to young married couples as well as young people contemplating marriage.

—American Medicine.

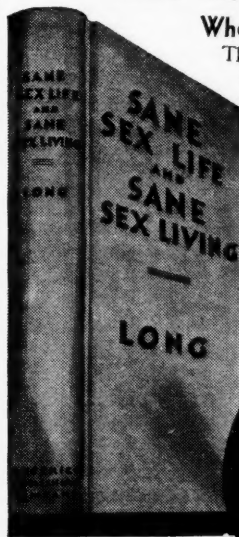
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The World of Books

Continued from page 5

detailed comparison between the present Weimar Constitution and that of the old Empire, which was designed by the versatile Bismarck. Herbert Kraus, a distinguished German expert, believes that President Hindenburg enjoys greater constitutional powers—under Article 48 and other republican devices—than did Kaiser Wilhelm, who was subservient to the oligarchy embodied in the omnipotent Federal Council of the Empire, which was a supreme authority containing 58 members. (Princeton University Press, \$2.50.)

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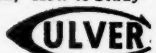
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Our Authors

• • ROBERT MAYNARD HUTCHINS became president of the University of Chicago at the ripe age of 30. Prior to that, he had been dean of the Yale Law School, whence he was graduated in 1925. His father is president of Berea College in Kentucky—a model service institution—and his grandfather was a distinguished pastor and educationalist connected with Oberlin in Ohio. In short, by heredity and by environment, young President Hutchins is well-fitted to discourse on matters pertaining to the scientific dissemination of knowledge. This, in our columns, he proceeds to do. His article was delivered, as a convocation address, in his university chapel. We print it by special permission.

• • SENATOR LESTER JESSE DICKINSON in an authority on farming—with which, in his native Iowa, he has been in close and practical contact. He has also served as lawyer and second-lieutenant. Senator Dickinson will be a useful member of the Senate till 1937.

• • SAM ADOLPH LEWISOHN attended Princeton, and after that, the Columbia Law School. He is something of an expert in economic and sociological matters, having served on numerous boards and commissions devoted to welfare work. His intelligent plea for an adequate system of unemployment-insurance is extremely convincing and in close accord with the outstanding need of these United States.

• • CLARENCE POE, a North Carolina editor of note, writes for us on stable currency. "The Progressive Farmer" has been his journalistic brain-child since 1899; and he has studied agricultural co-operation in Europe. Books by him have appeared on a wide variety of topics; and he is active in the civic movements of his state—a "leading citizen" par excellence. He lives in Raleigh.

• • HENRY CREW is chief of the Division of the Basic Sciences, and chairman of the Committee on Scientific Publications, of the Chicago Century of Progress Exposition. He is, by profession, a physicist and an author of distinction; member of various scientific societies. A Johns Hopkins Ph.D., his home is in Evanston, Illinois.

• • FREDERIC ADRIAN DELANO was born in Hong Kong, China. He has served as engineer and railroad man, as army officer and as a member of the Federal Reserve Board. He was awarded the Distinguished Service Medal for his work in France; and has acted on United States and League of Nations commissions of note. He is a specialist in civic planning and regional improvement, and holds the presidency of the American Civic Association. He is also a regent of the Smithsonian Institution of Washington, in which city he makes his home. He is the uncle of our new President, Franklin D. Roosevelt, and his close friend.

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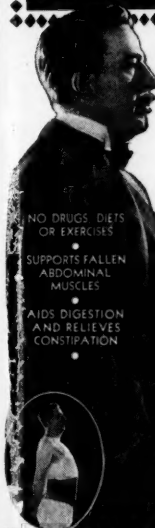
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REVIEW OF REVIEWS

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WORLD'S WORK

Vol. LXXXVII, No. 3

MARCH, 1933

◦ THE PROGRESS OF THE WORLD ◦

By ALBERT SHAW

Mr. Roosevelt Prepares to Take Office

WHEN THE TWO houses of Congress came together on Wednesday, February 8, to canvass the electoral votes from forty-eight state capitals that had been trans-

mitted in sealed envelopes on January 4, it was disclosed for the first time, in the legal and official sense, that Franklin Delano Roosevelt, recently Governor of the State of New York, had been chosen by the Electoral College to serve as President of the United States for the four-year term commencing March 4, 1933, succeeding that of Herbert Hoover.

Mr. Roosevelt, meanwhile, had embarked on the private yacht of Mr. Vincent Astor for a vacation cruise of ten days to escape from politicians, office-seekers, and propagandists. He might or might not have heard about the counting of the electoral votes. For all practical purposes he had been President-elect ever since the popular voting in November. As we remarked in these pages last month, the so-called "interregnum" of four months between the November election and the inauguration date of March 4 has proved unusually embarrassing in view of existing circumstances. The word interregnum, of course, is not strictly applicable. Mr. Hoover's constitutional authority was as complete until March 4 as if he had been elected for a second term to begin on that date. But in the practical workings of the government at Washington there has been such a loss of efficiency, and such a marked tendency to deadlock and delay, that the term interregnum could be used without much apology to sum up the actual conditions.

President Hoover shirked no duty and evaded no responsibility. But he realized that the government would not function strongly until the new President took office, and until the Seventy-second Congress had ended its inglorious term. Mr. Hoover indulged in a brief fishing trip off the Gulf Coast of Florida, and returned to his desk refreshed and in philosophical mood. Franklin D. Roosevelt—under the stress of circumstances almost without parallel—reluctantly accepted the fact that he must share in advance some of the burdens of an office upon which he was not to enter for a number of weeks. He did not, indeed, urge the

Senate to approve or to reject any of the accumulating appointments to office that were awaiting action, including that of Mr. Pomerene of Ohio as head of the R. F. C. Nor did he intimate that he would like to have Congress approve of Mr. Hoover's sweeping plan for the rearrangement of bureaus and various governmental agencies. But he did accept an invitation to confer with President Hoover (for the second time) on the best way to meet the urgent request of the British government for a reopening of the war-debt settlement that had been made as a "funded" finality in 1927.

Mr. Roosevelt's previous conference with President Hoover had been held at the White House on November 22, two weeks after election. At that time Mr. Roosevelt did not favor the President's plan of reviving the war-debt commission which had been created for a five-year period by authority of Congress in 1922. Nor was he willing to indicate any preferences for American membership in the World Economic Conference that was to be held in the near future. On occasion of his second White House visit two months later (January 19), Mr. Roosevelt authorized the State Department to convey certain information on his behalf. He would be ready early in March to confer directly with representatives of the British and other foreign governments regarding the future handling of obligations arising under the debt agreements.

Who Will Pay the Debts?

THE NEW PRESIDENT has chosen his own way of meeting European governments in their demand for a fresh consideration of the debt problems. He has invited foreign statesmen to come to Washington early in March. The British, French, and other governments have spent several months in trying to invent plausible ways to present their demands. President Hoover, realizing that Congress in any case will give final expression to the judgment of the United States regarding debt payments, has greatly preferred to have negotiations carried on through a commission in which both branches of Congress would be represented.

If Mr. Roosevelt, negotiating alone, should consent to a great reduction or a virtual cancellation of the

debts, an embarrassing situation might be created. Any agreement would have to be confirmed by Congress. But unless American opinion should change rapidly, Congress would refuse to sanction an agreement that would meet the demands of the British and other European statesmen. Europe, however, would treat President Roosevelt's proposed compromise (followed by the refusal by Congress to accept it) as sufficient reason for complete and final default. No debts, public or private, were ever incurred with more solemn and deliberate assurances of repayment than were these American loans to European governments, a considerable proportion of which were made after the war was ended. The debts were revised in the interest of the debtors during a five-year period that ended in 1927. Final settlements as then made were ratified by Congress and accepted as irrevocable by the foreign governments.

These loans were not made with the understanding that they were to be repaid by means of such annual sums as Great Britain, France, Belgium, and Italy could exact from the people of Germany. It is true that Germany will no longer pay tribute, whether the Lausanne agreements are accepted or rejected by the British and French. The British Empire is a far greater and wealthier coalition of peoples, bound together for economic advantage, than is our sisterhood of American states. That Empire is rebuilding its fortunes with immense enthusiasm. It has set up a new system of inter-imperial tariff preferences. The British Chancellor of the Exchequer had insisted that no advantages of any kind by way of trade compensations can be allowed to the United States, in exchange for transferring Great Britain's debt from the shoulders of British taxpayers to those of American taxpayers. He will not come over as a debt commissioner.

The British government could, indeed, cancel or reduce its great funded indebtedness that is outstanding in the hands of private investors. Those investors are principally British subjects. If such repudiation, in whole or in part, were decided upon, the British bondholders would be out of pocket, where the British taxpayers would be relieved. But it is quite otherwise with the debt owed by the British government to the United States. As funded some years ago that debt was \$4,600,000,000. It is now \$4,398,000,000. Payments due in 1933 aggregate \$171,500,000. This sum is perhaps a little more than 4 per cent. of Great Britain's ordinary budget. Annual expenditures on the British debt (not including anything due to the United States) would pay the interest due at Washington about seven times over.

When British statesmen and orators talk to us as they sometimes do, in momentary forgetfulness of their annoyance about the debts due at Washington, they fairly radiate optimism as they set forth the economic prospects of the British Empire. They make us feel small and poor in comparison. It is plain to a disinterested student that their obligation to pay the American debt is greater, both morally and legally, than their obligation to meet regular interest payments on what they call their own "national debt."

But politicians and newspapers have so confused the minds of honest British citizens about this American obligation that it would now be virtually impossible, as Mr. Simonds shows in our present number, for British statesmen to stand squarely by the terms of the so-called Baldwin-Mellon agreement. Uncle Sam

borrowed the money in order to lend it to John Bull. It is outstanding in the form of American bonds. These bondholders will be paid in full; and it seems quite too probable that the American taxpayer will have to add this particular burden to the heavy ones that he already carries.

Our own government has always had the right to sell these debts to private investors for what they would bring. In our opinion the Treasury should have settled the foreign debt situation long ago by reissuing the debts in bonds of small denomination, and selling them to private investors through international banking syndicates, or in some other way. The British, French, Belgian, and Italian obligations would then lie directly between those governments and private holders of the bonds. Such bonds would, on their face, carry the exact agreements made by the debt commissioners, and accepted by all the governments concerned.

We are publishing an admirable statement of the debt problem by Mr. Frederic A. Delano. No man could discuss it in better temper, or with a finer appreciation of all the factors at home and abroad. Mr. Simonds has studied the European point of view so thoroughly, and with such unusual opportunities of intercourse abroad, that he is finally confirmed in the opinion that he has expressed with frequency in the past. He believes that Europe is so convinced of the necessity of linking together the German reparations and the American debts that they must be regarded as non-collectable, and as parts of the inevitable loss of the war period.

Mr. Delano is more hopeful. He sees the European situation with sympathy and comprehension. His attitude is one that we would commend to our readers, and through them to their Senators and Representatives in Congress. Our own suggestion that the debts be divided up and sold to private investors has been made at different times in these pages. This ought, of course, to be done if at all with the cooperation of the foreign governments concerned, and upon some plan that would result in a postponement of heavy payments and in an ultimate sharing of the burden as a whole among the taxpayers of the various countries that are involved. Somebody must pay the American bondholders for the money they lent to Europe. American taxpayers will have to pay all of it, unless those who borrowed the money and used it for their own purposes—and who happen also to belong to solvent and wealthy countries—are willing to pay back at least a part of what was loaned to them in good faith.

Cabinet-Making from McKinley to Wilson

IN THE MIDDLE of February nothing was really known to the press and the public about the new cabinet and other principal appointments. By way of exception, it was understood that Mr. Farley of New York, who had been the political manager of Mr. Roosevelt's campaign and who is now chairman of the Democratic National Committee, would be Postmaster General. During the early part of February, while Mr. Roosevelt was cruising off the Bahamas, Mr. Farley was making headquarters at Miami, Florida. Politicians and office-seekers were flocking to Miami in great numbers. Mr. Farley is strong and undaunted, and he will stand between Mr. Roosevelt and the pressure of place-seekers in the new administration.



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THIRTY-SECOND PRESIDENT OF THE UNITED STATES

FRANKLIN DELANO ROOSEVELT enters the White House on March 4, as the chosen leader of the American people, during a period of severe economic distress. Twelve million workers are unemployed. Incomes of rich and poor have shrunk. All forms of property have lost in value. Nations everywhere are critical of their neighbors' motives.

Yet the moment is propitious. Pessimism is waning, skies are brightening, hopes are rising. The new President takes over the reins of gov-

ernment with the best wishes not merely of the twenty-two million who voted for him, but of those who would have preferred to postpone a change in personnel and in policy.

A mandate of the people; both branches of the national legislature in full control of his party; authority that comes with the appointing power upon a change in administration; a belief in himself; with such a start Franklin Roosevelt has a glorious opportunity for leadership out of the depths of depression.

This is a matter of exceptional importance. The appointing power has its troublesome and embarrassing side for each succeeding President. Many changes are bound to occur, even when there is no transfer of party control. Mr. McKinley taking office in March, 1897, relied upon his political manager Mark Hanna. Moreover, Mr. McKinley had served in Congress through a long period, and knew how to dispense patronage with a minimum of unpleasantness. He never forced appointments against the wishes of particular Senators. Mr. McKinley's reelection in 1900 brought joy to office-holders because it was followed by no general changes.

The Vice-President, Theodore Roosevelt, entering the White House in 1901 to fill three and a half years of the unexpired term following Mr. McKinley's death, invited all the cabinet officers to retain their posts; and other changes in appointive places came about only occasionally. Following Mr. Roosevelt's election in 1904 to a second term, there were no changes except as individuals retired and were replaced. Mr. Taft, who was elected in 1908 with the support of the Roosevelt administration, formed a new Republican cabinet and made various other individual changes; but there was no transfer of appointive offices on a large scale.

It was after sixteen years of continuous Republican control of the government that Woodrow Wilson entered the White House in March, 1913, and called a special session of the new Democratic Congress. It assembled and organized on April 7, with Champ Clark as speaker and Oscar Underwood as chairman of the Ways and Means Committee. The particular purpose of the special session was to revise the tariff.

President Woodrow Wilson appeared before Congress on April 8, 1913, and delivered a ten-minute tariff message to which Congress and the country responded with enthusiasm. The Ways and Means Committee had already prepared its measure, which reduced rates considerably and which included a provision for a tax on incomes. Mr. Wilson had not announced his cabinet until two or three days before his inauguration. He had been a constant student of the government and its methods for more than thirty years, and he proceeded to carry out in a practical way certain theoretical views that he had previously expressed. He chose to work in close contact with leaders in both houses of Congress, and also to place party leaders in the cabinet, rather than private individuals especially fitted for particular positions. In these respects Mr. Wilson's methods were quite the opposite of those that had been adopted by his predecessor.

There were numerous and rapid changes in civil offices at home, and in diplomatic places abroad. But President Wilson was no spoilsman, and his patronage brokers wrought little devastation in their slaughter of Republican place-holders. As regards public policies, President Wilson was fortunate during the first years of his administration in knowing exactly what he wanted to accomplish. Besides the tariff bill, he obtained legislation relating to the control of corporations. Even more memorably, he secured the adoption of the Federal Reserve system.

Mr. Wilson's second term resembled his first one only in the fact that as President he took the lead, and secured the support of Congress in writing momentous chapters of American history. Early in 1917, soon after the beginning of his second term, he delivered his war message, and the United States found itself at war

with Germany. Mr. Lansing had become Secretary of State, and the peace-loving Mr. Baker was to make his reputation as Secretary of War.

Party lines were forgotten as we proceeded to raise vast armies, expand the navy, build the merchant marine, operate the railroads, stimulate agriculture in order to send food supplies abroad, and sell bonds to millions of investors while increasing tax rates to yield almost ten times as much annual revenue as during the Taft period. During Mr. Wilson's first term, the gross public debt of the United States averaged less than \$1,200,000,000. During the last years of his second term it averaged about \$25,000,000,000.

Mr. Wilson had been unfortunate in his efforts at Paris to bring about a permanent European peace along the lines of the Fourteen Points which had been accepted as a basis of the Armistice of November, 1919. A League of Nations had been formed in his name, but not on his plans and specifications. He failed to secure ratification of the Treaty of Versailles by the United States Senate. In his prodigious efforts for permanent peace throughout the world he lost his health and laid down his life.

Twelve Years of Republican Administration

IN THE REACTION that followed our colossal war experiences a Republican victory was inevitable. Governor Cox of Ohio, as the Democratic nominee, made a gallant campaign in support of the League of Nations. His running mate was none other than Franklin Delano Roosevelt, who had served in the Wilson administration as Assistant Secretary of the Navy.

Mr. Roosevelt showed marked ability as a platform speaker and his voice was heard throughout the country. Before going to Washington in 1913, he had made his mark in the State Senate at Albany as an anti-Tammany Democrat. He was following a career from his beginnings in politics that in some respects was quite parallel to that of his elder kinsman Theodore Roosevelt. His fifty-first birthday was celebrated on January 30, 1933.

Beginning with March, 1921, three Republican presidents—Harding, Coolidge, and Hoover—have occupied the White House for a continuous period of twelve years. The governmental and economic story of these twelve years will be treated by future historians as turning almost wholly upon the consequences of the most stupendous war of all time. The Democrats had gone down in the political storm of 1920; and it was only the cross currents of popular feeling (due to prohibition and Southern prejudice against Alfred E. Smith) that kept the executive under Republican control until the present month. Opposition elements, meanwhile, had gained control of both houses of Congress. Republican defeat in 1932 was inevitable, regardless of candidate or party platform.

Neither party is responsible for conditions that brought about the business depression that began in 1929. The war had taken us to Europe with men, money, ships, supplies. We were involved in situations from which it was impossible to escape. We kept on making governmental and non-governmental loans to Europe, largely with the motive of protecting our domestic and foreign commerce from sudden collapse. Our productive energies had been so stimulated by the war and its necessities, that we were finding ourselves

in need of maintaining the buying power of our new foreign markets. Those markets could only buy our materials if we financed the purchases.

Beginning with the war we had run wage scales up to the point where a bricklayer could earn twice as much as a college professor or an average lawyer. A farm-hand could clear up a better net income than the farmer who employed him. The railroads were no longer operated for the shareholders who owned them, but for the unionized labor that dominated them by aid of confiscatory laws at Washington, and the limitless meddling of the Interstate Commerce Commission.

Capitalists and laborers alike were turning their eyes away from productive industry to follow the delusive promises of wealth in speculation. Everybody aspired to live luxuriously, and soon there were more automobiles on the roads in most of our states than there were separate households. Whereupon, local rates of taxation were increased, to build good roads upon which to operate the twenty-five million cars. The good roads stimulated local ambition for consolidated schools. Most country neighborhoods began to operate school omnibuses. Real estate assessments were kept high because state and local governments were costing several times as much as in pre-war periods.

It was proper that people should aspire to live well, and they were not blameworthy for buying homes, furniture, automobiles, radios and other good things on the instalment plan—nor were they to be condemned for sending so many more of their young men and women to the colleges and the universities.

Not only have these things—typical of the so-called years of prosperity—been well worth having, but we will venture to assert that the American people will manage somehow to salvage most of them as we begin to climb the hill again after a sorrowful sojourn in the valley of depression. If anything or anybody must be made the scapegoat in particular, let us not find too much fault with Wall Street or with Washington. Rather let us blame European militarism and Europe's imperial rivalries.

Problems That Face Mr. Roosevelt

FRANKLIN D. ROOSEVELT as President needs wisdom about public policies at a time when it is hard to know exactly what it is best to do. We will venture to say that he will do well if he begins with the general maxim that debts have to be paid. Even Europe will in the long run be better off if it chooses the path of honor, and convinces the American public that—on one plan or another—it will seek to meet its obligations.

At the outset, Mr. Roosevelt will have the support of both houses of Congress. Most of the problems, domestic as well as foreign, that he must face are direct consequences of the world-wide depression that followed the Great War. President Hoover has had some valu-



PRESIDENT HOOVER DELIVERS HIS FAREWELL ADDRESS

The scene is the Lincoln Day banquet of the National Republican Club in New York, on the evening of February 13. Mrs. Hoover accompanied the President.

able plans, but it was impossible to secure the cooperation of Congress for the Hoover program as a whole.

A Republican statesman in conversation with the present writer several weeks ago remarked that President Roosevelt had only to select three or four important measures, with the certainty that Congress would follow his lead without delay. He was cynical enough to base this assurance upon the President's power of patronage. There are many jobs for which there are numerous Democratic aspirants in every Congressional district. Mr. Farley and the practical politicians of the new administration can handle the patronage in such a way as to lessen the danger of deadlock between the President and Congress.

Let us grant for the sake of argument that the President can probably secure the full support of his program in the extra session. That being the case, where can he look for advice that will strengthen him in the belief that he has found the features of a sound program, essential to meet the conditions that confront us?

If President Roosevelt can smooth out the European debt controversy, he will have performed something like a miracle at the outset. But what will he do to relieve unemployment? What final decision will he reach regarding some measure to improve the level of

farm prices? We can all agree that agriculture should have low rates of interest and ample time extension for payment of principal. But Mr. Roosevelt is supposed to have committed his administration in advance to a policy of subsidizing agriculture, such as that of the pending allotment bill.

We are publishing an article by Senator Dickinson of Iowa, than whom no public man is a better friend or a stauncher champion of the farming interests. Mr. Dickinson does not believe that this allotment measure as drawn up could be applied without almost insuperable difficulties of detail. Our readers will find another article in this issue by Mr. Clarence Poe, eminent throughout the South as an agricultural editor and a publicist of international outlook. Mr. Poe believes that it would be more feasible to make the dollar fit the level of commodity prices than to bring the prices of things in general back to a normal level such as that of the year 1926.

Mr. Poe is no paper-money inflationist. He would adhere to the gold standard at least for the present. But he is strongly inclined to support the view that the gold content of the dollar (gold being deposited in bars and remaining uncoined) should be changed from time to time to keep the standard of value at approximately the level of average prices as shown by some reliable index. Congress of late has shown itself almost, if not quite, at the point of issuing several billion dollars of paper money on the Patman plan, or else of buying and storing quantities of silver bullion to secure issues of legal-tender silver certificates.

Many of the European countries have abandoned the gold standard under the leadership of Great Britain. The English government has no intention at present of resuming gold payments on any basis. The exchange value of the pound sterling (formerly about \$4.86) stood last month at about \$3.42. Just how this decline affects the purchasing power of wages in England, and the cost of producing goods for export, is not as easy a question to answer as it might seem upon its face.

A measure was pending in Congress last session to authorize increase of specific tariff rates to meet import conditions as affected by depreciated currencies in foreign countries. Mr. O'Brien and Dr. Page, of the tariff commission, testified that it could not be clearly shown, as yet, that we were being flooded with foreign goods produced at lowered cost by reason of the inflated currencies.

There is to be a world-wide discussion of these problems of monetary standards in the near future. American policy ought not to be uncertain or drifting as regards the basis of exchange and payment. It would be important to know just what ground President Roosevelt will stand upon, as he deals with this puzzling array of financial and monetary topics.

By nature our new President is optimistic and energetic. He thinks that we have done penance long enough, and that we might as well rid ourselves of the sackcloth and ashes, and deck ourselves in the cheerful apparel of budding springtime. Mr. Roosevelt will be in hearty accord with the sentiments expressed by Senator Dickinson in his article on the American farm family. He has firm belief in the value of our rural civilization, and holds that it can be maintained in its traditional strength, with all modern improvements added to earlier elements of stability.

Beginning with the industrial expansion of the war period, millions of our people left the farms and country villages to earn good wages and enjoy the advantages of life in commercial and manufacturing centers. By the hundreds of thousands those people have been going back to the country. Their object is to live in safety and comfort, rather than to increase the surplus of farm products. From the broad social point of view, this "back to the farm" movement should be encouraged in every reasonable way. Taxes on real estate can be greatly reduced, if not abolished, without injury to organized community life.

A large majority of the state legislatures were in session last month, and almost without exception they were dealing with their separate problems of economy, taxation, unemployment, and temporary relief. Many of the Governors are new men in their present positions and—referring to them as a group—they show more than common vigor, energy and intelligence as they survey the conditions that lie about them in their respective commonwealths. Inauguration day at Washington falls on Saturday, March 4, and a large proportion of the Governors with their official attendants will take part in a celebration that, under Admiral Cary Grayson's direction, was expected to bring to Washington the largest number of visitors in the history of such occasions.

It was a happy thought on the part of Mr. Roosevelt to invite the Governors of all the states to attend a White House conference on Monday the 6th. Final conclusions upon a wise division of taxation resources between the federal and state governments could not well be improvised during the hours of a one-day conference; but there could be valuable expressions upon many topics. Committees could be appointed to make later reports upon assigned topics. To a certain extent the conference might aid the President as he prepares himself to make recommendations to the extra session of Congress. It is possible, also, that the Governors might help him to verify or revise his present views as to what should be done about war debts in view of the trends of American public opinion.

An Expert on Currency and Inflation

IN HIS NOTABLE monthly Letter on economic and financial conditions, issued by the National City Bank of New York, Mr. George E. Roberts calls renewed attention to the disastrous effects upon American farm and business interests of the breakdown of stable currencies in foreign countries. "When the common standard is abandoned," says Mr. Roberts, "and the currency is divorced from gold, there is no barrier to a competition in depreciation among the various countries; and voluntarily or involuntarily the countries move in that direction. In December the Union of South Africa suspended gold payments and allowed its currency to depreciate, and within the past month the government of New Zealand has altered the exchange rate on London from 9 to 25 per cent. discount on sterling."

This means, as Mr. Roberts explains, that New Zealand agricultural producers will get higher prices in their own depreciated currency, while being able to sell in Europe or America at lower prices in gold. But other exporting countries will be playing the same game against New Zealand. "Meanwhile a new and

depressing competition is brought to bear against the world prices for wool, butter, meats and the other products which New Zealand exports, and naturally those products of the United States entering the world markets will be affected. The whole matter illustrates that limits of competitive currency depreciation can never be set; the only absolute limit would be the worthlessness of all currencies."

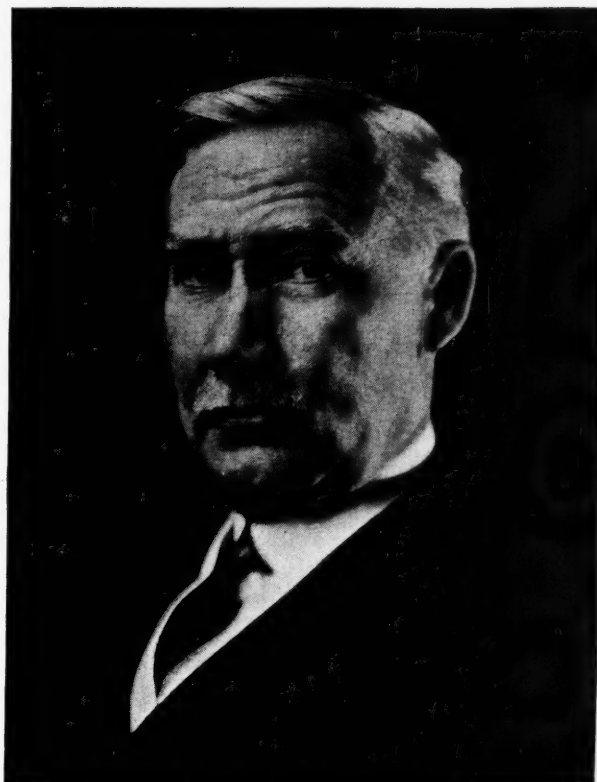
In his previous Letter for the month of January, Mr. Roberts had given several examples of the effects of depreciation of foreign currencies upon the trade of the United States, including the concentration of the world demand for wheat upon the Canadian, Argentine, and Australian markets; a diversion of American ocean travel to Canadian lines; and the increase in imports of certain manufactured articles.

In his February Letter Mr. Roberts gives additional illustrations of the hazardous and harmful effects upon American business caused by the lack of fixed relationships in the currencies of different countries. Besides these disturbances, due to currency inflation, there are additional vexations caused by "governmental interference with trade in an unprecedented degree." Mr. Roberts states that heavy steers have been selling in the Argentine markets at prices equivalent to 1 cent a pound in our money, and choice young steers at 1.8 cent. "The principal explanation is in the meat trade provisions of the Ottawa agreement, which are designed to stimulate production within the British empire at the expense of the present sources of supply."

Declaring that distress in this country makes it imperative to seek relief from these harmful trade situations, Mr. Roberts firmly dismisses the idea that we can isolate ourselves in a self-contained economic system. In an extended part of his February Letter he deals exhaustively with the subject of monetary inflation, and condemns proposals for American currency depreciation as futile and disastrous. On the other hand, he sets forth "the advantages of a program of coöperation and mutual concession in dealing with the causes of trade disorder and currency confusion, and of measures that would rouse confidence rather than alarm in capital, and put the idle currency and credit of the country to work."

Mr. Roberts would relieve pressure upon the exchanges by adjustment of inter-governmental debts. He would reduce government expenditure and taxation. He would balance budgets both national and local. He would seek to adjust wages and prices in certain fields of employment. He holds that there can be no magic method or sleight-of-hand trick by which the depression can be overcome. He does believe, however, that we could get out of our troubles quite speedily even if we did nothing more than adjust the debts and balance the federal budget.

When Mr. Roberts writes about monetary standards, his words carry more weight than those of almost any other student of that subject. He is not the victim of narrow views such as are attributed by the West to Wall Street bankers. Mr. Roberts is an Iowa man who was influential in that state before he went to Washington as Superintendent of the United States Mint, and before he became known as a worldwide authority upon all phases of the money question. In the Letter from which we have been quoting, he presents what is probably the best reasoned argument that is now available for the law-makers at Washing-



MR. GEORGE E. ROBERTS

ton against pending proposals for dealing with the price level by means of sudden changes in the volume of currency, or reductions in the intrinsic value of the monetary standard.

He challenges the assumption that paralyzed industry and extremely low price levels must be permanent unless corrected by legislation. "On the contrary there is good reason to believe that this depression, like all that have preceded it, will be cleared up by the free play of economic forces if such are not nullified by ill-advised legislation." He is not fanatical, however, in his devotion to the monetary status quo. He admits that "the last word has not been said about money, the standard of value, or banking." "The standard of value is a subject for scientific study, and international coöperation. The interests of nations are not in conflict upon this subject; for the main object with all is to obtain stability of relationships."

This distinguished authority does not minimize the almost incalculable harm that came to the country through lack of any effective control over the wild orgy of speculation on the New York Stock Exchange, that was promoted by all the banks of the United States with participation on the part of many other countries.

A Budget Still Out of Balance

THE FISCAL YEAR which ends with the month of June will not find the current accounts of the United States Government in a satisfactory condition. The House of Representatives in the winter and spring of 1932 refused to follow the lead of its own Ways and Means Committee. It rejected sound plans of taxation and refused to make economies as recommended. For three years, as the balance sheet of next summer will show,

Uncle Sam has been borrowing steadily and in large sums to meet actual expenditures. As of June 30, 1930, the gross debt of the United States was \$16,185,000,000. For June 30, 1931, the figure was \$16,801,000,000. It had increased as of June 30, 1932, to \$19,487,000,000. Appropriations for the current fiscal year have been larger than in any previous year since 1921, while ordinary receipts have been much smaller. The receipts for 1932 (fiscal year ending with June) were less than half those of 1930 and previous years, while the appropriations were decidedly larger. The gross public debt next June will show marked increase over the figure of one year ago.

It should be explained that certain special items swelled the 1932 total of appropriations. One of these was the initial half billion dollars advanced to the Reconstruction Finance Corporation. Another was a fresh subscription of one hundred and twenty-five millions to the stock of the Federal Land Banks. The aggregate of various payments to veterans came to about one billion dollars. The agricultural marketing fund, which had received \$190,000,000 in 1931, obtained \$136,000,000 in 1932. Appropriations for the fiscal year that is to end four months hence are summed up as amounting exactly to \$5,785,252,642.

Readers should understand that the large increases for the current year are not due to expenditures in the ordinary sense. The total figure includes further large sums advanced by the Treasury to the R. F. C. These sums have in turn been loaned to state governments for relief purposes, and also to banks, railroads, insurance companies, agricultural corporations, and various other agencies for the support of credit in this period of extreme business depression.

It is reasonable to expect that most of the money loaned by the R. F. C. will be repaid with interest in due time. All such advances made by the Government are properly chargeable to gross indebtedness. No one expects that they are to be covered by regular receipts from taxation. But it is true that the ordinary budget ought to be balanced. This means that the Government should raise enough by taxation to pay its normal expenses. Only by cutting down the bills, or increasing the taxes, or both, can this be done.

It had been generally supposed that the closing session of the Seventy-second Congress would pass a bill providing for a sales tax to be collected from manufacturers. The Democratic House leaders had recommended this sales tax last year. The plan as revived was abandoned several weeks ago because the President-elect refused to endorse it. No influence at Washington affects the Congressional mind more promptly and directly than that which is exerted by the trade unions through the American Federation of Labor. Mr. Green and his associates have declared uncompromising war against the sales tax. Possibly Mr. Roosevelt does not wish to begin his administration with such a controversy on his hands as might result from differing views about this form of taxation. Mr. Green holds that the sales tax would increase the wage-earners' cost of living. We are inclined to think that it would tend to increase the general income of wage-earners ten times as much as it would add to their expense account.

It is to be borne in mind that the tax measures and appropriations of the session expiring on March 4 pertain to the fiscal year ending June 30, 1934. As these comments were written, the financial business of the

session was not sufficiently completed to justify attempts to review it even in general outline. The one-cent gasoline tax was to be extended for another year, and a tax on beer of low alcoholic content was fairly certain to be adopted.

Congress was not willing to face the truth regarding the abuses that have grown up in our system of payments to so-called veterans; and the usual aggregate (approaching a full billion dollars) was voted by the House in February without any real attempt at debate, or any serious show of opposition. An immediate reform of this system would not, indeed, go far to balance the budget. Yet the system will steadily grow worse if it is not soon made better. Every candidate for Congress next year should be required by his constituents to read carefully Mr. Talcott Powell's new book on pensions and bonuses, entitled "Tattered Banners." Individual Congressmen unaided by public opinion cannot deal with the veterans' lobby.

The Democratic party platform promised reduced expenditures and a balanced budget. An overwhelming Democratic majority will have full swing in the extra session of the Seventy-third Congress that will soon be at work. There will also be a clear and ample Democratic majority in the Senate. This extra session will not be obliged to accept either the revenue measures or the appropriations voted by the previous Congress. It will not be long before we shall know something of the courage and the character—as regards vital public issues—of those who are assuming governmental power on the 4th of March. Without a thought of mere partisanship, we wish them the kind of success that men achieve who can think clearly and act decisively.

The End of "Lame Duck" Sessions

APPROVAL OF THE so-called Lame Duck Amendment by state legislatures was as prompt and as nearly unanimous, after the sessions opened in January, as could have been expected. Massachusetts was to have completed the requisite three-fourths of the states by action on Monday, January 23. But the Missouri lawmakers, just for the fun of the thing, met at an early hour in the forenoon, adopted the Amendment in the wink of an eyelash, and gained credit for having rounded out the long deferred business changing certain fixed dates for the meeting of Congress and the installation of a new President. Some states were negligent in notifying the Secretary of State at Washington, so that the official and permanent roster of ratification (see the page opposite) differs from the informal press dispatches of that day.

This new Amendment gives effect to a reform that thoughtful men have talked about for at least two generations. It has been urged from time to time in the pages of this periodical for forty years. It was bound to be accepted if it could reach the state legislatures; but Congress was reluctant to take the initial step. This hesitancy had no substantial basis. It was merely hard to make the dash because the first Congress to be affected would lose two months of its two-year term, and presumably would also lose two months' salary.

The Amendment was proclaimed February 6, as a part of the Constitution. It goes into effect this year. Congress instead of meeting the first Monday in December will now meet the first week in January for each of its two regular annual sessions. The practical

working of the Amendment can best be shown by explaining its effect upon the Seventy-third Congress. This body will undoubtedly be called to organize and sit in special session very soon after Mr. Roosevelt takes office. But its mandatory regular session, instead of beginning on the first Monday in December, 1933, will convene on January 3, 1934.

A new Congress will be elected on the usual November date next year. This Seventy-fourth Congress must meet (in accordance with the so-called Norris Amendment) in the first week of January, 1935. At that time the Seventy-third Congress, which was elected with Mr. Roosevelt last November, will end its term. For the first time in one hundred and forty-six years a term of Congress will have comprised twenty-two months instead of twenty-four. Henceforth for practical purposes we may regard the terms of Congress as coinciding with two calendar years; and in this respect they will be like terms in the popular branch of most of the state legislatures.

The Amendment does not abridge the term of the Seventy-fourth Congress, but it shortens by a few weeks the four-year term of President Roosevelt. The presidential election will be held on the usual November date in 1936. By terms of the Amendment the new President must take office on January 20. The dates of the meeting of presidential electors and the canvassing of the electoral votes by Congress are not fixed in the Constitution, and may be changed by statute at any time. It is obvious that they will have to be changed to meet the situation that has now been created. At

present the electors meet about two months after the popular voting, and the electoral vote is canvassed in Congress after a further interval of five weeks. It is the expiring Congress that has hitherto dealt with the electoral vote. In future, this function must be exercised by the new Congress with as little delay as possible after it has organized in January.

If Senator Norris had succeeded in having the Amendment referred to the states two years earlier, it would have resulted in shortening Mr. Hoover's term. The second regular session of the Seventy-second Congress would have begun early in January 1932, and it is not likely that it would have been prolonged by adjournment after the November election.

Mr. Roosevelt would have had a few weeks less time in which to select his Cabinet and make his plans. He would have found the new Congress already in session, and would have had to decide, for reasons of his own, how soon after his Inaugural Address to send his first annual message to Congress. His second, third and fourth annual messages would naturally be delivered at the opening of each regular session, in the first week of January. These changes are not merely matters of routine. Their bearings must be vital in many ways, as experience will show within a few years. It is fortunate, perhaps, that the Amendment is adopted at a time when foreign policies and domestic problems are so pressing that public attention can be called to the inconvenience of those overlapping arrangements that were devised to meet slow communications in the eighteenth century.

THE TWENTIETH AMENDMENT TO THE CONSTITUTION OF THE UNITED STATES

Submitted to the States by the Secretary of State on March 8, 1932, as a result of action by Congress which had been completed on March 2, 1932.

RATIFIED by State Legislatures as follows:

Section 1. The terms of the President and Vice-President shall end at noon on the twentieth day of January, and the terms of Senators and Representatives at noon on the third day of January, of the years in which such terms would have ended if this article had not been ratified; and the terms of their successors shall then begin.

Sec. 2. The Congress shall assemble at least once in every year, and such meeting shall begin at noon on the third day of January, unless they shall by law appoint a different day.

Sec. 3. If, at the time fixed for the beginning of the term of the President, the President-elect shall have died, the Vice-President-elect shall become President. If a President shall not have been chosen before the time fixed for the beginning of his term, or if the President-elect shall have failed to qualify, then the Vice-President-elect shall act as President until a President shall have qualified; and the Congress may by law provide for the case wherein neither a President-elect nor a Vice-President-elect shall have qualified, declaring who shall then act as President, or the manner in which one who is to act shall be selected, and such person shall act accordingly until a President or Vice-President shall have qualified.

Sec. 4. The Congress may by law provide for the case of the death of any of the persons from whom the House of Representatives may choose a President whenever the right of choice shall have devolved upon them, and for the case of the death of any of the persons from whom the Senate may choose a Vice-President whenever the right of choice shall have devolved upon them.

Sec. 5. Sections 1 and 2 shall take effect upon the fifteenth day of October following the ratification of this article.

Sec. 6. This article shall be inoperative unless it shall have been ratified as an amendment to the Constitution by the Legislatures of three-fourths of the several states within seven years from the date of its submission.

The order of ratification, at the right, follows that of the State Department.

1. Virginia, March 4, 1932.
2. Kentucky, March 10, 1932.
3. New York, March 11, 1932.
4. Mississippi, March 16, 1932.
5. Arkansas, March 17, 1932.
6. New Jersey, March 21, 1932.
7. South Carolina, March 25, 1932.
8. Michigan, March 31, 1932.
9. Maine, April 1, 1932.
10. Rhode Island, April 14, 1932.
11. Illinois, April 21, 1932.
12. Louisiana, June 22, 1932.
13. West Virginia, July 30, 1932.
14. Pennsylvania, August 11, 1932.
15. Indiana, August 15, 1932.
16. Texas, September 7, 1932.
17. Alabama, September 13, 1932.
18. California, January 4, 1933.
19. North Carolina, January 5, 1933.
20. North Dakota, January 9, 1933.
21. Minnesota, January 12, 1933.
22. Arizona, January 13, 1933.
23. Montana, January 13, 1933.
24. Oklahoma, January 13, 1933.
25. Nebraska, January 13, 1933.
26. Kansas, January 16, 1933.
27. Wyoming, January 19, 1933.
28. Delaware, January 19, 1933.
29. Washington, January 19, 1933.
30. South Dakota, January 20, 1933.
31. Idaho, January 21, 1933.
32. Ohio, January 23, 1933.
33. Utah, January 23, 1933.
34. Georgia, January 23, 1933.
35. Massachusetts, January 23, 1933.
36. Missouri, January 23, 1933.

MORE THAN FOURTEEN years have passed since firing ceased on all battle fronts of the World War. Then it was the task of the statesmen to work out a basis for restoring a war-torn world to normal conditions. When we consider the terrible losses in the war, the inevitable bitterness and jealousies engendered, the desire for revenge, it is not strange that the peace treaty of Versailles was far from an ideal settlement. And it is clear that we must now, nearly fourteen years after the event, try to adjust the more evident errors in the spirit of a saner viewpoint and a clearer understanding of all the facts.

The newly-elected President of the United States will be expected to take the lead in this task of readjustment. He has courage enough to do his full share, but he has wisdom enough also to know that he can not do it single-handed. This is not a case for partisan politics, but for the very best and sanest judgment that a nation can muster.

The editor of *THE REVIEW OF REVIEWS*, a personal friend, has asked me to state this problem as I see it; and because I believe I can render no better public service, I gladly comply with his request.

As must be evident to everybody, the world is suffering from the results of the most devastating war of modern times. Not only was there terrific loss of life and property, but the war left a large section of Europe bowed down by debt far beyond its ability to carry.

Immediately after the war, Germany, through the device of currency inflation, wiped out the value of all its previous promises-to-pay, whether public or private. Thus people who through frugality had saved money and invested it in government or corporation bonds, or mortgages on land, had these savings written down to nothing. Furthermore, many people were forced to sell their land or buildings for almost nothing, to buy the wherewithal to live.

In France, one of the victors of the war, conditions were nearly as bad. France had suffered from the destruction of her most important industrial area. Her loss of man power had been tremendous. Finally, disappointed in her efforts to finance her own reparations, the people's savings were cut down to 20 per cent. of their pre-war value by the depreciation of her money standard. Furthermore, the frugal French people had become the owners of bonds of almost every European nation, highly regarded before the war; and they suffered severely, and frequently lost their entire savings, as, for example, in Russian, Turkish, Austrian, and German bonds. French losses in this way exceeded German reparation payments, although these payments were calculated to meet war damage to property.

England also lost heavily in man power, in war costs, and in shipping, but in recent months has suffered further heavy losses from the depreciation of her currency. She has suffered even more because of loans to her allies during the war, which she can not now collect. England's loans to her allies exceeded her borrowings from America.

Italy, Belgium, Austria, Bulgaria, Serbia, Rumania, Turkey, Poland, and others, are suffering from the debt burdens of the war, and even the neutral nations are suffering from these causes—as well as from the depreciation of their money standards.

Russia, regarded as the strongest of European nations in undeveloped resources, has suffered terrifically from

the problems growing out of the war; and her domestic problems have thus far been so heavy that she has not even considered paying her debts to other nations.

The United States came out of the war most gloriously. We had made a great name for ourselves by the vigor and effectiveness of our armies. In this we not only surprised our best friends, but completely baffled our opponents, who counted upon our being unable to muster men and munitions in time to save the situation. The war over, we began by assuring the powers with whom we had been associated that while we expected no territorial gains, we desired first a just and practical peace, and secondly the repayment of the advances we had made to our allies.

Any American reviewing the situation today would say our demands, on the whole, were reasonable and proper. Now, however, it must be admitted that the defeated powers are physically unable to repay even the damage they wrought, and nothing toward the cost of the war. Thus, Germany's debt to the victorious nations was computed by the European allied powers in 1921 at approximately 32 billions of dollars. This was scaled down very considerably by subsequent commissions, and at Lausanne last summer was tentatively fixed at 750 millions.

The truth is that, as a whole, every nation in Europe is heavily in debt as a result of the World War; but as Germany has no off-setting credits, she is the ultimate debtor. The United States, because she owes the other nations nothing, is the ultimate creditor.

The position which the United States has taken in all her debt negotiations is that our lendings to the European powers—divided approximately 70 per cent. pre-armistice and 30 per cent. post-armistice—had nothing to do with the payments by Germany for reparations of war damage, because we shared in none of those reparations. It is, of course, true that these transactions are essentially separate and different, and yet it must be admitted that the reduction in reparations does affect the question of the debtors' ability to pay. It is also obvious that if we believe that the peace and rehabilitation of Europe as a going concern are important to our interests, we may be actively desirous of seeing Germany on her feet, even though that may cause us to urge France, England, Italy, and Belgium to reduce their claims on Germany. Indeed it has been on this theory that a moratorium was agreed upon, and that thereafter the war debts were scaled down.

NO AMERICAN STATESMAN has any right to advocate scaling down the debts of foreign powers to us, except on the theory it is to our genuine advantage as creditors to yield something. Even then it is clearly the duty of the negotiators to work out, if it is possible, some basis of payment other than specie, if specie payments are not completely and entirely

Debt Revision

By FREDERIC A. DELANO

Deputy Chairman, Federal Reserve Bank of Richmond

practical and other payments appear to be feasible.

This might even mean payments, in part, in goods bought here by the debtor nations for consumption at home; and, in part, in credits in their own country which we might expend there for our benefit on the theory that such payments in trade would mean more in stimulating business than specie payments. The fundamental basis of negotiations must conserve our own interests with an enlightened view of the whole situation. It is admitted by men who believe in our collecting every cent owed by foreign nations that the debts are a small matter compared with the importance of a general restoration of trade relations.

There are, however, other angles of the subject which must be studied and which can not be ignored. Such, for example as (1) our tariff on imports from debtor nations; or (2) the effect of depreciated currencies on our trade; or (3) the dumping of foreign goods at less than cost of production; or (4) the righteousness of our demand that we should not be asked to reduce debts unless there is simultaneously a considerable reduction in armaments—for, as the average man says: "How can you ask for a moratorium on debts and not agree to a like moratorium on armaments?"

A RECOGNIZED RULE of trade is that it pays to have good relations with one's customers. Enormous sums are spent in advertising and in other ways to persuade customers to deal with the company or individuals who are seeking to develop their trade. What is called "good will," if it amounts to anything, is the result of years of honest effort to build up a reputation for fair dealing, intelligent service, willingness to listen to complaints, and a disposition to correct errors. May we not suggest that these same rules of conduct, based on character, should apply as between ourselves and foreign nations?

Nations spend great sums to promote the trade of their nationals. Ocean lines are subsidized, diplomatic and consular bureaus are maintained, banking facilities encouraged, all largely with the object of promoting trade relations. All goes well until something happens rudely to shatter this picture, and that something is most frequently war. Pestilence, famine, earthquakes, all bear hard upon us; but because they are acts of God, there is a human impulse to allow for them and to restore the *status quo* as soon as may be. There is no intention to overstress this homely argument. It is a commonplace of good business, and must not be overlooked in the negotiations.

CERTAIN difficulties are rarely realized, and they are due to changed conditions brought about by the World War; for Americans must bear in mind that the World War marked an important turning point in the relations of the United States to Western Europe.

Up to the outbreak of the war, American securities, such as the bonds of corporations, states, and municipalities, were largely owned in Europe. The interest charges were easily paid by us due to our constant large excess of exports over imports, making what is termed a balance of trade in our favor. So high did this balance run for a long series of years that it met the interest on these debts, gradually amortized them, and in addition paid most of the freight charges on the foreign shipping carrying our grain, cotton, and other goods to Europe; and on top of all this, our trade balance was sufficient to meet the large expenditures of American travelers in Europe.

The student of this question will find that the situation has completely reversed itself as a result of the World War. We are no longer debtors to Europe. They are in debt to us. Furthermore, our own ships are carrying a large share of our exports, and the foreigner who needs a trade balance in his favor to meet his obligations to us finds that the balance is adverse to him. Our only hope of continuing our large exports of raw materials and manufactured products is to help our customers to get on their feet and become purchasers. It will not help the situation for us to lend to Europe unless its credit is restored.

MUCH IS SAID of three-cornered trade, as where Nation A buys from B, and so puts B in a position to buy from us. This trade is not negligible, but is not sufficient to meet balances due from Europe. One solution would come about through an increase in our own population by increase of births over deaths, or by selected immigration, to a point where we would no longer have so great an export surplus, but would become what Western Europe was for at least two centuries, the creditor of the world. However, it is not our purpose to suggest a solution, but rather to indicate the nature of the problem.

It is quite conceivable that we might live happily within ourselves, somewhat as France has done, very little dependent on trade with other nations; but if that is the correct solution of our problem, we must lay our plans accordingly. If, on the other hand, we believe in trade relations with the outside world, we must plan accordingly—for foreign trade is based on the principle of the comparative superiority of different countries, each in its own sphere. In other words, we can not expect to be a creditor nation unless we suggest ways for the debtor nations to pay their obligations. We can not export greatly in excess of our imports, maintaining thereby a high credit balance, and at the same time expect other nations to pay us what they owe us.

In the years 1925-29, foreign nations paid us large sums on debt account in spite of the large trade balance in our favor; but this was only possible because our citizens lent to Europe, on European private and public credit, amounts almost exactly paralleling what our government received in debt installments. This method of balancing trade collapsed in 1928, and was a major factor in bringing about the existing crisis.

This in very condensed form is the international debt problem as I see it. It is difficult, but not hopeless. It will require good leadership, good temper, a willingness to look at both sides of every proposal; and, last but not least, the support of American and West European public opinion.

Cancellation or Repudiation

By FRANK H. SIMONDS

FOR AT LEAST ten years I have been writing in this magazine that neither reparations nor war debts would be paid. Events have now reached the pitch where it is plain that the American Congress, which is the ultimate jury in the matter, will shortly have to choose between cancelling the war debts and facing a foreign default which will amount to repudiation. In many quarters in this country the forthcoming negotiations between the incoming President and representatives of the European debtor nations are still discussed in terms of a bargain; abroad the figure of speech employed is a "clean slate and wet sponge."

The various peoples who owe us money have made up their minds, in the face of the existing situation in the world, not to pay any more of the claims arising from the war—whether debts or reparations. The governments of these peoples are controlled by public opinion. On the other hand the American people, who also control their government's action, are similarly resolved not to agree to cancellation of the debts. Thus, on the eve of still another international conference, it is plain that there exists an uncompromising state of mind on the part of the nations who are to talk. Once more it may make agreement impossible.

Now the time has passed in which it is useful to discuss the American and European points of view—today in complete discord. This is the case because the outcome of the Washington discussions will be determined not by the merits of the opposing opinions nor by compromises. The French, Belgians, and Poles have already defaulted. The British have announced in advance that they will not bargain, that they will not discuss possible concessions in tariffs or currency changes. They will, in effect, simply present the United States with a choice between cancellation or repudiation.

In effect this intransigent position of the British is determined by the fact that last summer, at Lausanne, the British government persuaded France and the other creditors of Germany (who are debtors of the United States) to agree to a virtual cancellation of reparations. And as the British were the authors of the Lausanne agreement, they became responsible for its future existence. They were bound, thereafter, to seek to give final effect to this reparations settlement, by persuading the United States to consent to bring its debt claims down to accord with the Lausanne terms. That would amount to a practical cancellation.



HAVING successfully ousted the gold standard, Britain's banking generals wish to surrender to it again.

© London Daily Herald.

That, the British have undertaken to do. Concomitantly they have made it plain that they will not pay for such American concessions in any fashion. On the contrary, they assert that it is as advantageous for the United States as for themselves to get the dead weight of debts and reparations out of the way, and to begin the task of restoring world trade. They have further indicated their own conviction that they cannot pay the United States more on the account of the

Baldwin-Mellon settlement, now that they have forgiven Germany reparations and their own debtors further payments.

When the British made their request in December for a further moratorium and a new discussion of debts, looking to practical cancellation, the American press and public generally misunderstood the situation. They were aware of the extreme difficulties of the immediate British situation, and were not unwilling after consideration to discuss temporary or permanent scaling down of the British debt. But they were under the impression that nothing more was at issue than an ordinary transaction between an unfortunate debtor and an enlightened creditor.

When the British paid and the French defaulted in December, after an American refusal to grant a new moratorium, the public opinion of the United States was shocked at the French course and highly laudatory to the British. At that moment there was disclosed a determination to make no concession to France, even to undertake reprisals where possible; but to deal generously with the British. There was, however, no notion of any cancelling of the British debt.

But the British themselves were appalled by the American reaction. Like the French, they were resolved not to continue debt payments. They had only consented to meet the December 15 instalment because they had been informed that public opinion in the United States was changing rapidly; and that if there were no disturbing development by June, when the next payment was due, the United States would have been converted to the British view. In that way they would attain their major objective, which was virtual cancellation without the humiliating necessity of default.

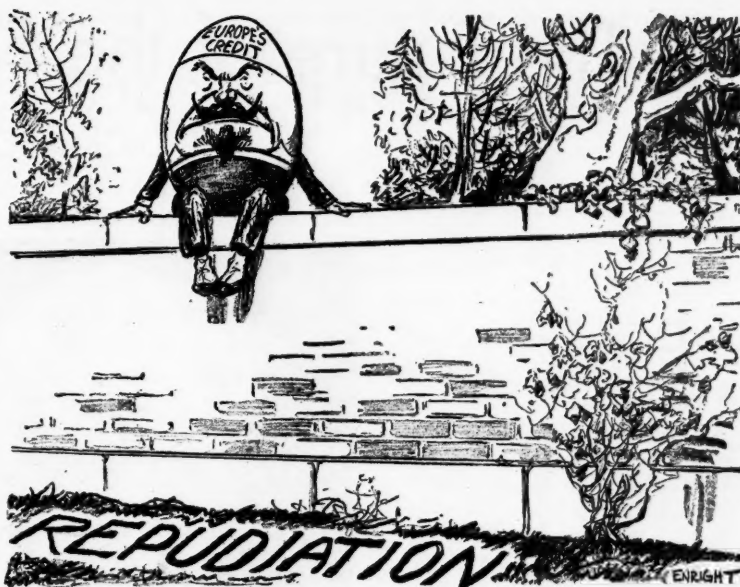
In order to impress American opinion the more, the British made their payment in gold (and not in American bonds as hitherto) although such a discharge of the obligation would have saved them \$3,000,000. They did this because they were satisfied that the spectacle of a country, off the gold standard because its gold was

inadequate, discharging a debt in gold—and thus gravely reducing its gold reserves—would impress the American public with the reality of the situation. And since Britain, by reason of being off the gold standard, was able to undersell America in the world markets, they believed this detail would impress an American opinion necessarily eager to see England back on the gold standard.

The uproar which accompanied a French default, as well as the character of the comment upon future treatment of the British, constituted a great disillusionment in London. For it disclosed the fact that American opinion was not changing and that Congress was as immutably opposed to cancellation as ever. For all practical purposes the maximum concession the British saw in prospect for themselves was totally inadequate, for it did not in the slightest degree conform to the Lausanne agreements.

Meantime the French, whose basic purpose was identical with the British, defaulted because the penultimate note of Mr. Stimson to London convinced the French Chamber that the British were mistaken in believing American public opinion was changing. They saw in this note, which refused a promise of reconsideration after payment, proof that America meant to go on with the process of debt collecting. Therefore, they concluded, it was useless to make one more payment in the hope that it would avoid bad feelings and insure reduction to the point of cancellation before June 15.

When the British discovered that they had been mis-



By Enright, in the New York American ©.

THE MODERN HUMPTY DUMPTY

Congress has gone on record against cancellation.
The alternative appears to be more unpleasant.

taken and the French correct in their estimates of American opinion, they changed their whole policy. Concluding that it was no longer worth while to wait for a change of American opinion, which they had vainly hoped for, they undertook to forward such a change by telling the blunt truth. That is the basic explanation of the sensational remarks of Neville Chamberlain, Chancellor of the Exchequer, both at Leeds and in his address to the American correspondents in London.

The British demand practical cancellation and they decline to bargain because, in the matter of tariffs, their agreements with their dominions (made at the Ottawa Conference) preclude special bargains now. They also decline to make a separate bargain with the United States because their contracts at Lausanne bind them to France and the other debtor nations. They have, therefore, no freedom of action. And, in addition, they have a fundamental community of interests with the European powers in getting rid both of reparations and of debts.

In addition, the British decline to consider a return to the gold standard as *quid pro quo* for American debt concessions because, quite justly, they perceive that under present conditions they might not be able to stay there. In a word, the factors which explained their original fall from the gold standard remain unmodified. It is true that they are profiting incidentally and, at American expense, temporarily by their present form of currency. But it is also true that they cannot safely return to gold now.

Thus, in effect, the United States now confronts a Europe united in the matter of debts; and a British Empire consolidated in the matter of tariffs. It is also without any resource in the matter of bringing pressure upon its debtors. Talk of tariff reprisals is absurd because the United States sells more to each of the debtor nations than any buys from it. Thus our trade is a larger target, if reprisals are to be indulged in. The conviction that British fear of the eventual consequences of repudiation will (Continued on page 54)



By Sykes, in the New York Evening Post.

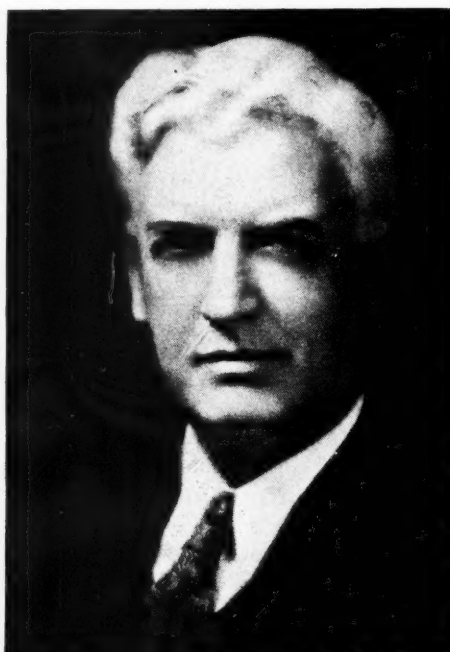
SLIGHTLY HANDICAPPED

Are His Majesty's Parliament and Our Uncle's Congress acting as ball-and-chains in the great financial "rassling" match?

The Future of the Farm Family

By L. J. DICKINSON

U. S. SENATOR FROM IOWA



SENATOR DICKINSON

PROBABLY IT IS fully realized, by reason of the present plight of agriculture, that we are an integral part of the world and cannot abrogate ourselves from world conditions.

In the Sixty-sixth Congress, when we were considering a resolution having to do with trade relation with Russia, Mr. Jacob H. Rubin of Wisconsin testified with reference to his experience in Russia under the Soviet régime. In visiting with Mr. Rubin, he was asked the question as to why the Socialistic theory did not operate more successfully in that country among the rural people. His reply was that the system did not take into account the shortcomings of human nature; that a Russian farmer given the use of land would raise sufficient of his products for the keep of himself and his family, but rarely would he produce any surplus to be turned over in support of the general Socialistic theory then in vogue in Russia.

That same principle underlies farming under the new industrial program for Russia. It is true that they have discarded the sokhas (or wooden plow) and have adopted modern mechanical machinery; and they are increasing the acreage. Large collective farms operated with modern machinery have taken the place of narrow strips of land cultivated in the former primitive fashion.

The striking point is that in this Socialism the farmer and his family have been taken from the farm-home and put into the workers' apartments in centralized localities. They are transported to the scene of their labor in the morning and returned at night. The farm-home, therefore, is practically disappearing from the rural section of Russia.

In contrast to this, during these depressed times in the United States our people are migrating back to the land. In former years it was the ambition of most men to become possessed of sufficient property to leave the farm and move to town. With the expansion of our industry, the industrial job with short hours and long evenings and high pay was then tremendously attractive. Most of our industrial cities were built up by people recruited from the rural sections.

The present depression has reversed this tendency. Nearly every man prefers an open space, with some fertile land, a little fishing, some game in the timberland, a cleared plot that will raise grains and vegetables, a few chickens and a cow. In these surround-

ings he feels quite secure, and can supply his family with the necessary provisions for the morrow. The trend back to the farm is showing a preference for this type of life, rather than that involving the bread-line or charity headquarters in the city. It indicates determination on the part of the American people, as contrasted with the tendency in Russia, to preserve the farm-home—the backbone of civilization—built up under the Stars and Stripes.

When the farm-home disappears, with it go many of the traditions dear to our civilization. The basic strata of our society were fostered, encouraged, and formulated in the colonial days when the farm-home was the social center of every com-

munity. Nothing can be more essential to the security of our future civilization and to the maintenance of our representative democracy than the stability of the farm-home.

It is contended that the entire trend of the day is against the farm, and some very convincing arguments can be brought forth to sustain this suggestion. On the other hand, an industrial civilization can be built up quickly and crumble in just as short a time. The civilization based upon a rural population has a firm foundation. The effort of any doctrine or philosophy to destroy the farm-home and take away from it those elements which have contributed to its strength should be discouraged. With all the difficulties we are facing in this country, we shall never see a time when we can abandon the principles that have made us great, for such an experiment as is now being tried among the Russian farmers.

WE ARE NOW in search of new economic doctrines that will protect and promote the farmers of the country. It might be well to divide our proposals into those heretofore passed and those now being proposed. In consideration of the former, it is my belief—if the farm population is going to be maintained—that the fundamental basis of farm legislation is that of coöperative marketing which federal legislation now promotes and maintains. We can cite numerous examples of how farmers have been best able to protect themselves by such a movement.

Recently the Nebraska Farmers' State Exchange (a farmers' coöperative organization) made a statement

that was startling to the business world. With the exception of the Union Pacific Railroad, this concern did the largest business of any in the State of Nebraska, the turnover for one year amounting to \$106,000,000. Through the operation of livestock exchanges, grain elevators and creameries, instruments of this organization, the farmer is placed in the position of processing and marketing his own produce. With all the criticism of the Federal Marketing Act, the one feature of the Act against which no complaint has yet been found is the provision having to do with developing and promoting cooperative marketing.

A significant statement was made recently, wherein it is shown that the cooperative organizations—such as the one mentioned, together with the Land-o-Lakes Creamery, the National Cooperative Council, the California Walnut Growers—are gradually assuming a position of more influence, not alone with reference to legislation proposed by the farmers, but with reference to the marketing machinery that has to do with the disposition of the produce of the farmer. All this bears out the contention of the Federal Farm Board that further expansion of cooperative marketing is the next step in any attempt at solution of the farmers' present-day problem.

WE ARE NOW in a position where we can produce without limit. No longer is there fear that the food supply of the country will soon be exhausted, that the fertility of our land will soon be depleted. When production is assured, marketing is then the next problem. Whatever may become of the present Marketing Act, or whatever parts of such legislation shall be repealed, it is in the interest of farmers that the cooperative marketing feature be preserved and encouraged. It was with this in mind that Congress made liberal provisions and furnished ample funds whereby associations could receive loans at a low rate of interest to build up their service.

Steady growth in the quantity of farm products handled by cooperative agencies has brought the volume of cooperative business up to a significant proportion of the total production of many commodities. In the case of certain specialized products, such as walnuts and almonds, three-quarters or more of the total output is handled by such groups. Cooperation has also reached significant proportions among producers of many types of fruits and vegetables. Among the more important farm items, nearly half of the dairy products and one-third of the wool was sold through cooperatives in the past crop year. A very large proportion of the grain moved through local cooperative elevators, and about one-sixth of the commercial movement was handled by cooperative associations at terminal markets. One-sixth of the cotton crop was sold cooperatively, and cooperative sales of livestock were equal to one-sixth of the slaughter that came under federal inspection.

In several other fields where cooperation was not so fully developed at the time the Marketing Act was passed, it is now making definite progress. In tobacco,



By Darling, in the Des Moines Register ©

WELL, DON'T DELAY TOO LONG, BOYS

The farmer may perish while Congress selects a relief plan.

for example, the crop sold cooperatively advanced from under 2 per cent. in 1929 to about 6 per cent. in 1931, and the number of members in active associations increased from 9,200 in 1929 to more than 50,000 in 1932.

Most reliable evidence of the value of cooperative organization to farmers is the increase in grower membership in these associations, from 650,000 in 1915 to 3,000,000 in 1931-32. Allowing for duplication arising from the fact that one producer often belongs to more than one association, probably 2,100,000 farmers (more than one-third of the total number in the United States) are now cooperatives. The volume of business handled cooperatively during the past crop year amounting to \$1,925,000,000, or about 20 per cent. of the total farmers' cash income in the country. Further expert appraisal of the significance of the cooperative marketing movement is evident in the violent attacks on it by private handlers and processors of farm products. These interests, long accustomed to squeezing profit margins out of farmers, now see the practice threatened by farmers' marketing organizations. They obviously trace the future development of the cooperative movement in the handwriting on the wall, and like the farmers they are in a position to gauge accurately its present effectiveness and future potentialities.

The outstanding contribution that can be made by cooperatives is to inject into local markets a degree of organization among sellers comparable with that which exists among buyers. In the absence of cooperative associations, farmers in many communities are forced

to sell their produce to a small group of highly organized buyers, who can set prices below those justified by the total demand and supply situation. Coöperation means organization for farmers. Only through such organization can individual producers attain equality of bargaining power with the highly organized buyers to whom they must sell their products.

With the proper development of coöperative marketing comes the influence of the producer on price. If sufficient amount of a commodity is in control of one organization, its price influence cannot be ignored. Along with price, comes standardization of the product to meet the particular demands of the consumers. It is only by showing the successful operation of coöperative marketing in certain lines that the producers of other lines can be persuaded to accept and promote the doctrine. Fundamentally, it is the best basis of encouragement to the producers of food products at the present time.

In addition to this, we have farm financing which has to do with the Federal Land Banks and their loans upon the farms, the intermediate credit handling merchandise offered for market, and the Agricultural Credit Corporation for feed loans. Finance makes up another chapter, but it is my hope that whatever is done the Land Bank system will be kept on a safe and sound basis for the future; and that farms will be restored to such standing that bonds based upon farm mortgages will find ready sale on the market without Government guarantee. The Government cannot engage in any system of farm financing that is not self-sustaining. In other words, it should be the duty of the Government to direct, and possibly lead the way, but not to furnish the money except in initiating the system.

Most encouraging at the moment is the announcement that the large holding companies are to cease foreclosures and reach such adjustments as the individual loans may require. This action is producing a new psychology among the borrowers and giving new hope.

WE NOW HAVE numerous suggestions with reference to the plight of the farmer, which is very severe. He is the subject of every adverse reaction in the economics of the country. He is less able to protect himself, and for this reason suffers more than others. We are now debating the problem of further relief legislation. We have had such suggestions as the old equalization fee, which always brought the produce of the farmer within control on delivery into interstate commerce. We have the debenture plan, which has to do only with the exports of our surplus products, and we have the Domestic Allotment Plan. Apparently the latter suggestion, by reason of the political recognition and approval is receiving the most consideration.

Just recently, one of the leading writers suggested: "The Farm Bill (Domestic Allotment Plan) in the House is a very good example of what happens to ideal-

ists when they fall into the hands of politicians." The trouble with most plans suggested for the relief of distress among the farmers is that they are worked out from the viewpoint of the idealist, with little reference to their practical application among farmers, and with no reference at all to the possibility of formulating the suggestions into legislation that is permissible under the Constitution and possible of passage. It is an

easy matter to say that a certain thing should be done; it is much harder to say just how, legislatively, it can be done.

It should be recalled that only recently a storm of protest arose when a suggestion was made that every third row of cotton should be plowed up, and every third acre of wheat should be left uncultivated. Now the Domestic Allotment Plan provides for the reduction of acreage in the various crops proposed and reduction in the tonnage of the products. Certificates can be given, through the authority of the Government, as a premium for such reduction. This action on the part of the farmer is voluntary; but in order to share in the adjustment benefits he must be able to prove that he has made such reduction. The

hearings on this legislation indicate that the processor will not be able to stand this charge; and that in the end, to the extent that the farmer is benefited, the consumer or general public must pay the price.

POSSIBLY TRADITION can be overcome. It is contended that "the history of five thousand years of agriculture fails to record one single example of valorization in agriculture which helped the farmer as much as it hurt him."

If the Domestic Allotment Plan has the effect of limiting acreage, it will succeed. If, on the other hand, it disturbs the marketing machinery, discourages the processor, or offends the consumer, it must be approached with care.

Summarizing, we can safely say that:

(1) The family on the farm supplying its own needs is a better guarantee to the stability of our institutions than the sky-scrapers of our cities.

(2) Coöperative marketing has demonstrated its beneficial effects, and expansion of the movement is the most helpful sign in farm movements today.

(3) Further legislation is still uncertain of passage and doubtful in benefits.

The farm family of the future is secure in possessing the advantages of our early forefathers. We cannot expect them to be thus content. Additional advantages are demanded and warranted. An adjustment period is ahead of us. Governmental panaceas are impossible, but directing legislation can be of assistance. Just now we are confused because the demands are beyond possibilities.

However, unless the farm home can be made more secure, and its standard of living maintained, a century of time will not suffice to erase the dire effects of this present economic collapse.



By Fitzpatrick, in the St. Louis Post-Dispatch

THE CRISIS AT MEAL-TIME

America Needs Stable Money

By CLARENCE POE

Editor of The Progressive Farmer and Southern Ruralist;
Member, Agricultural Committee, U. S. Chamber of Commerce

WHY permit our national standard of value—the dollar—to be as variable as a bushel measure that is sometimes 3 pecks, sometimes 5 pecks, in capacity?

FOR BUSINESS RECOVERY, one of America's greatest needs is stable money—an "honest dollar." And fortunately American business and American agriculture seem ready—or almost ready—to unite in this demand.

To find out just what the farmer wants, let us examine the resolutions adopted at the recent annual meetings of the two most powerful national farm organizations: the American Farm Bureau and the National Grange.

Meeting in Winston-Salem, on November 24, the Grange declared for a national monetary policy which will "secure restoration of the wholesale price average of 1926 as computed by the United States Bureau of Labor Statistics and the stabilization of the price level as nearly as practicable at that point."

Two weeks later, in Chicago, the American Farm Bureau Federation likewise set forth the following as the fundamental objective to be sought for: "That the index figure of the average commodity prices prevailing from 1920 to 1929 shall be adopted as the base for calculation at 100; and, that it shall be the policy of the United States to establish and maintain the commodity price level at that point as near as is humanly possible."

It will be noticed that the Grange suggests stabilizing the dollar on the basis of 1926 prices, and the Farm Bureau on the basis of average 1920-29 prices. But 1926 prices were almost identically the 1920-29 average, so there is no conflict here.

So much for the voice of organized agriculture. Now let us consider a few typical business opinions. He is reputedly the wealthiest man in America; but just thirty days before the National Grange meeting Mr. Henry Ford said: "The next big job is to improve the money system. I am convinced that our money system is antiquated. We have plenty of men and plenty of material; but money, which is not so important as men or material, is holding up progress."

He is head of America's greatest business organization, but the next week after the American Farm Bureau met, President Henry I. Harriman of the

United States Chamber of Commerce told the American Association of Life Insurance Presidents that five things are absolutely necessary for business recovery, No. 4 being as follows: "That we have a dollar whose purchasing power neither markedly increases nor decreases through a reasonable period of years; that is, a dollar whose value remains substantially constant with the general price index of commodities."

It is the journalistic spokesman of a great group of American business men, and not farmers, but the *Business Week* of New York City said recently: "The only remaining road to recovery for ourselves and the world is by concerted and courageous action, through governments and central banks, to raise the commodity price level and reduce the value of gold to the level at which it was when the bulk of the world's public and private debt burdens were contracted. Otherwise universal bankruptcy, default, and repudiation are unavoidable."

In our recent national campaign both major political parties declared for a "sound currency." The latest edition of Webster's International Dictionary carrying the term defines it as follows:

Sound currency, a currency whose actual value is the same as its nominal value; a currency which does not deteriorate or depreciate or fluctuate in comparison with the standard of values.

Judged by this standard, I submit that we now have no sound currency. We have no stable currency. We have no currency "which does not fluctuate in comparison with the standard of values if we accept either commodity prices or general purchasing power as a standard." We not only have no such sound currency now, but we have not had one for years.

Consider what Dr. E. W. Kemmerer, the distinguished Princeton University economist, said at a meeting of the Stable Money Association five years ago:

"There is probably no defect in the world's economic organization today more serious than the fact that we use as our unit of value not a thing with a fixed value but a fixed weight of gold with a widely varying value. In a little less than a half century here in the United States we have seen our yardstick of value—namely, the value of a gold dollar—exhibit the following gyrations: From 1879 to 1896 it rose 27 per cent.; from 1896 to 1920 it fell 70 per cent.; from 1920 to September, 1927, it rose 56 per cent. "If, figuratively speaking, we say that the yard-stick of value was 36 inches long in 1879, when the United States returned to the

HOW THE DOLLAR HAS CHANGED

1920	\$.65
1926	\$ 1.00
1933	\$ 1.63

gold standard, then it was 46 inches long in 1896, 13.5 inches long in 1920, and is 21 inches long today."

And since 1927 the situation then so effectively described by Dr. Kemmerer has not improved. Rather it has steadily gone from bad to worse, as is proved by the official statistics of the Department of Labor, showing the purchasing power of the dollar expressed in terms of wholesale prices of 784 commodities (properly weighted), taking average 1926 prices as 100 or \$1. See the figures in the box at the right.

What could be more eloquent than this table, in proving that we have no stable standard of values or purchasing power—no "sound currency that does not deteriorate or depreciate or fluctuate in comparison with the standard of values"? We have a standard of time that never varies—the hour; a standard of length that never varies—the yard; a standard for liquids that never varies—the gallon; a standard for measuring corn and wheat that never varies—the bushel.

And yet our national standard of value—the dollar—in real purchasing power, interpreted in terms of what it will buy, we permit to be as variable as would be a yardstick sometimes 18, sometimes 24, and sometimes 36 inches long; as variable as would be a bushel measure sometimes 2 pecks, sometimes 3 pecks, sometimes 4 pecks in capacity; as variable as if we had hours sometimes 30, sometimes 45, and sometimes 60 minutes in length.

President Hoover recently quoted Daniel Webster's declaration: "The prosperity of the working people lives, moves, and has its being in established credit and a steady medium of payment." Certainly nothing could be less "steady" or "established" than a medium of payment varying as shockingly as the value of a dollar in terms of general commodities. We find the financial committee of the League of Nations reporting that whereas in 1928 it took 100 units of commodities to pay a debt of 100 gold units, today it requires 170 units of commodities. We find that it takes 278 per cent. as much farm products to pay an average Federal Land Bank debt or interest-payment as when the debt was created. And who can deny that these penalties represent a ghastly and flagrant perversion of essential morality?

As C. V. Gregory says: "If Congress had passed a law in 1926 requiring every debtor to pay back \$1.50 for every \$1 he had borrowed, besides interest, we would have had a revolution. Yet that is just what deflation has done. Suppose Congress had passed a law in 1926 doubling the size of the bushel basket, or the number of pounds in a bushel, and had told us that in measuring out products to pay our debts we must give the same number of bushels of grain, but measure it out in these new and enlarged bushel baskets. By failing to take action to stabilize the value of money Congress has done what amounts to the same thing."

All business has suffered from this disastrous situation, but agriculture more than any other industry, because the price of farm products has dropped out of proportion to all other commodities. Farm products,

which in 1928 would buy only 90 per cent. as much goods as in pre-war days, dropped to a ratio of 80 per cent. in 1930, to 63 in 1931, and now to 50. Only a few weeks ago a Mid-West banker summarized the iniquity of the farmer's present debt-burden by saying:

"In our country farmers are loaded with debts—mortgages they contracted back in 1918 and 1919.

Wheat that was \$3.31 then is 47 cents now. Rye \$1.90 then, 30 cents now. Then oats brought \$1; now 18 cents. Corn, \$1.60; now, 30 cents. Hogs, 23 cents a pound then; 4 cents now. But the farmer's mortgage still remains. He pays, nominally, from 5 to 7 per cent. on it.

"But, as a matter of fact, he must pay from 25 to 35 per cent., because he has got to sell five times as much produce now to pay that interest as he did at the peak. If he borrowed \$5000 back there in the peak days, he borrowed the equivalent of 1515 bushels of wheat. But to pay off the same \$5000 now takes 10,640 bushels of wheat."

Of course this is an extreme illustration, but the general principle applies in millions of cases. The difference is one of degree rather than kind. When a debt is contracted and the dollars loaned represent 10 bales of cotton or 500 bushels of wheat, it is immoral for the governments and financial systems of the earth to make it so that the creditor

collects dollars which represent 30 bales of cotton or 1500 bushels of wheat (and in similar proportions as regards all other commodities). In addition all interest payments have been correspondingly increased. When this happens a robbery has been permitted as essentially immoral as the burglary of a home, or the holdup of a train, or any pocketpicking by modern thieves and gangsters.

When such a system results in the loss of homes, the destruction of educational opportunity for boys and girls, the failure of the sick to receive proper medical and hospital treatment, and the engulfing of millions in unjustifiable misery, the situation indeed cries aloud for remedy.

WHAT IS THE remedy? Not the abolition of the gold standard, in the opinion of leaders in agriculture and business, but the maintenance of the gold standard with adjustment to the commodity index to insure stability as "the only way to perpetuate the gold standard," in the language of the American Farm Bureau.

The organized farmers of America are asking for no fiat money, no printing-press money, no 16-to-1 free silver. They are asking for a money system stabilized on the basis of the average purchasing power of a dollar in the years 1920-30, when most of America's staggering burden of public and private debt was created. Gold as a basis for currency could still be maintained, but the quantity of gold in the dollar would be adjusted to a commodity index. No doubt there are several methods by which such a stable currency or sound currency, may be established.

For example, instead of (Continued on page 52)

THE FLUCTUATING DOLLAR

Year	Purchasing Power of \$1
1916	\$1.17
191785
191876
191972
192065
1921	1.02
1922	1.03
192399
1924	1.02
192595
1926	1.00
1927	1.05
1928	1.02
1929	1.04
1930	1.16
1931 (Jan.)	1.30
1931 (Dec.)	1.41
1932 (Mar.)	1.50
1932 (Sept.)	1.53
1933 (Jan.14-21)	1.63

Railway Regulation in Practice

ANONYMOUS

THE LATEST ANNUAL report of the Interstate Commerce Commission, dated December 1, 1932, contains the following sentences:

From various sources there is now constant reiteration of the charge that the railroads are "shackled" by unduly burdensome and restrictive regulation. For the most part this charge is made in general terms without specification or particulars. So couched, the attack is not helpful. If the railroads believe that they are subjected to unduly burdensome and restrictive regulation, the sound course to pursue is to ask the appropriate authorities for definite relief, specifying precisely what they deem to be objectionable.

It is coincident that there was published, in the REVIEW OF REVIEWS for April, 1932, an article under the title "Prosperity for Shackled Railroads." While the writer cannot pretend to speak for "the railroads"—which have designated no spokesman—and voices personal opinions only, the subject is too important to be left in a condition of indefiniteness.

Criticism of the statutory system of regulation must not be construed as criticism of regulative action under that system, much less as criticism of the personnel of the Interstate Commerce Commission. The writer believes that a commission of eleven members is much too large, and that there is a degree of waste and inefficiency in nearly all governmental activities. These defects aside, the present Commission, and its force of about 2400 employees, merit all praise. The Government possesses no agency that is more suitably manned, more wise and disinterested, so little influenced by the banalities of partisanship. The observed defects of regulation are inherent, they lie far deeper than mere questions of judgment in selection of appointees and employees.

At the moment, one of the most unanswerable attacks upon the system of regulation emanates from the Commission itself in a decision made December 27, 1932. A southwestern railroad, in the interest of economy and efficiency, applied to the Commission for permission to lease an wholly owned subsidiary, something that the law forbids unless official consent is first obtained. Such consent was denied, the Commission dividing six (against) to five (for), unless the lessee would agree to perpetuate the wastes that it was seeking to avoid. The chief dissenting opinion says:

The uncontradicted evidence here is that the waste of carrier assets . . . amounts, in what is considered a normal year to over \$81,000. This is at the rate of \$1,000 per mile per year. . . . We should be careful that our actions do not cause waste or unnecessarily prevent its elimination . . . the waste caused . . . constitutes an undue burden upon interstate commerce.

Hon. Joseph B. Eastman, in a separate dissenting opinion, characterized the action of the majority as forcing "an entirely unnecessary expense of about \$81,000

● ARE the railroads "shackled"?

There seems to be some controversy over the facts. The author of this article prefers to remain anonymous, to let his argument speak for itself. Obviously he is a railroad official experienced also in law.

per year." The five commissioners who favored the economy proposed by the applicant were B. H. Meyer, Joseph B. Eastman, Claude R. Porter, Hugh M. Tate, and Charles D. Mahaffie. It may be said that this is a mere question of personnel, as one other commissioner on the side of economy would have saved the situation. But such an answer is superficial in the extreme; the real defect is that power to enforce such a perpetuation of waste should be vested in any group of men.

In the REVIEW OF REVIEWS article referred to it was said that:

Trucks travel along the highways and boats ply up and down the rivers which have been made navigable at heavy cost to the taxpayers. All these take traffic away from the railroads by making competitive rates and changing them, when necessary, from day to day or even several times during the same day. But the railroads can change their rates only after thirty days' notice or by special permission from the Interstate Commerce Commission; and in any case the change may be suspended pending an hearing, and this suspension may continue as long as seven months.

A large proportion of all the freight traffic moved in the United States is forwarded by whatever route or carrier can offer the lowest rate. In other words the carrying trade, as to such traffic, is sharply competitive and the competition is exclusively a competition of rates. Every interstate railroad is bound by the Interstate Commerce Act to give thirty days' public notice of every change in rates unless, in a special instance, it first obtains permission from the Commission to make a specific change on shorter notice. Such permission is difficult to obtain, and at best the application and procedure involved create material delay. No motor vehicle competing with a railroad and no carrier over any water route (unless, in the case of a carrier by water, it is controlled by a railroad) is similarly restricted or required to give notice of any kind of change in its rates.

Water competition is not confined to port-to-port traffic; if it were, most carriers by water would starve for lack of business. For a great portion of the traffic on which they exist, water carriers go far into the interior, hundreds and even thousands of miles from their ports; and by inducing out-of-direction shipments by motor or rail to the ports, they divert the movement from the natural rail routes. To achieve this, they accept for themselves any sum that will leave the total charge, from origin to destination, sufficiently below the all-rail rate to be attractive to the shipper.

If the natural all-rail route wishes to meet the competition by reducing its rate, it must (1) give thirty days' notice or (2) obtain the consent of the Commission to shorter notice, and (3) reduce its intermediate rates to or below the level of the through rate or (4) obtain specific exemption in a special case. While all this is going on, if the railroad considers that there is sufficient prospect of success in its endeavor to move at all, the competitive and unregulated carrier is continuing to move the traffic.

If at the end of such process the railroad is authorized to meet the competitive rate, the water carrier can and usually does make a further reduction, retains the traffic, and the railroad is in precisely the situation in which it was at the beginning. Moreover, the railroad is always faced by the provisions of law (1) that a rate reduced to meet water competition can never be advanced, unless after hearing the Commission finds that conditions have changed and gives its consent; and (2) that it must not give any advantage which the Commission may regard as unfair to any person, place, or kind of property, over any other person, place, or property.

IF THIS is not shackling regulation, the writer does not know what that term implies. If such regulation is not harmful to the railroad industry, if it benefits anyone save competitive carriers by water or highway, he is ignorant of the facts. Nor does he believe that it would be effective or beneficial to the country to attempt to relieve the injustice by applying equivalent restrictions to trucks, barges, and steamboats. To do so would be merely to enlarge the attack upon the transportation industry and to favor all other industries at its expense. The evils of excessive restrictions are not to be remedied by more restrictions. Why permit the manufacturer, jobber, and retailer of (say) radios unlimited freedom as to prices, price changes, and profits, and give him a special tribunal to regulate, in his interest, the charges of those who transport the commodity in which he deals?

If the owner of real estate undertakes an excavation that threatens lives by impairing the stability of an adjacent dwelling, the injury threatened is irreparable and beyond the power of any court of law to redress. If organized oppression seeks to destroy the occupation of an individual, from which he derives a living for himself and his family, or to crush an enterprise that is economically sound, the case is the same. And to safeguard such situations the great domain of equity jurisprudence was created and the Chancellor (as Keeper of the King's Conscience) was endowed with the tremendous authority that rests upon power to punish for contempt and is exercised through the preliminary writ of injunction. It is an order to maintain the existing status until there can be a final determination of the respective rights. But no preliminary injunction is ever granted unless the party applying for it secures the party against whom it issues by a bond of full indemnity, in case it is ultimately determined that the restrained act was within the lawful rights of the enjoined person.

There is but one generic exception to this rule. If an interstate railroad ventures to make an advance of one cent per hundred pounds in the rate on china dolls from Peoria to Cincinnati, an appeal can be made to the Interstate Commerce Commission; and that body is empowered to enjoin the advance for seven months

without any indemnity to the railroad in case the Commission concludes that the advance was warranted. In Volume 179 of the reports of the decisions of the Commission there are three cases in which such injunctions were accorded and the final decision was in favor of the change in rates. In none of these cases could the carrier in any way recoup the loss occasioned by the postponement of its right to collect the reasonable rates that had been enjoined.

The Interstate Commerce Act, as originally passed on February 4, 1887, prohibited a greater charge for an intermediate transportation service than for a longer one "under similar circumstances and conditions." This was a reasonable prohibition; no carrier ought to discriminate in favor of a longer haul unless it can show sufficient reasons for the discrimination. So the Interstate Commerce Commission unanimously decided in a classical expression written by the great Judge Cooley and dated June 15, 1887. It was then said that it is a "common fact in transportation . . . that property now transported at very low rates could not be transported at all unless concessions in rates were made."

But on November 11, 1892, the Commission reversed its decision of five years before, and held that there might be no recognition of railway competition except after its authorization. This reversal was repudiated by the Supreme Court, at the first opportunity, on April 8, 1901. Thereupon there began a newspaper campaign, promoted by the Commission, to "make the law mean what it (as the Commission alleged) had meant from the beginning," despite Judge Cooley's great opinion of 1887 and the unanimous acquiescence of his colleagues. Even President Theodore Roosevelt yielded nothing to this propaganda; but in 1910, under President Taft, the law was actually changed to coincide with the views of the 1892 Commission.

Practically, the typical condition is the so-called "inter-mountain competition." Before the opening of the Panama Canal, railroads connecting the Atlantic and Pacific seaboard met the competition of ships rounding Cape Horn. They could profitably obtain portions of the total coast-to-coast traffic by reducing their rates to and from Pacific coast terminals, to a level that it would have been impossible to maintain on all traffic. In other words, they could obtain something over mere out-of-pocket expenses from this highly competitive freight but not a ratable proportion, on a tonnage basis, of their total operating and capital costs. The propriety of this was recognized by the early form of the law, by the courts and by the Commission. Gradually, however, by changes in the law and by administrative rulings, the power to compete in this way was curtailed.

WHEN the Panama Canal was opened to traffic an entirely new condition was created. The United States, pledging the public and taxpayers' credit, had supplied a means for still lower cost transportation between the Atlantic and Pacific coasts. And in 1910 the railroads were further restricted by law so that an increasing share of traffic that might have contributed to paying interest on their indebtedness was diverted to the water routes. At the same time the railroads were forbidden to invest in water carriers, without the consent of the Commission, and the abandonment of long established and helpful relations with boat lines was compelled in several instances. (Continued on page 51)

Principles of Unemployment Insurance

By SAM A. LEWISOHN

A GREAT DEAL of the quality of the ostrich is to be found in the attitude of business men towards many legislative problems. This is particularly true when it comes to the agitation for compulsory legislation for unemployment insurance, or what might better be called the compulsory setting up of unemployment reserves. The question is not as to whether unemployment reserve legislation is sound or unsound, or whether it is desirable or undesirable. The main thing is that such legislation is coming, and business men should make up their minds to do some thinking about it. If I may change my metaphor for a minute, the habit of hiding one's head in bedclothes, and quaking, is more appropriate to children than it is to adults.

I am not venturing an opinion whether compulsory legislation requiring the setting up of unemployment reserves is desirable. I do believe that if directed along the lines indicated in this discussion, and if properly safeguarded (which are two big "ifs"), it could prove a very useful palliative, though of course not a cure, for meeting situations that seem inevitable under our present structure. But if the medicine is not to be worse than the disease, we must decide just how it is to be administered. As with many radical prescriptions, the details of application are overwhelmingly important. Thus it is particularly deplorable that business men, in imitating the ostrich, are abstaining from any participation in guiding this legislation or even from devoting any serious thought to it.

Indeed it has not only been business men that have refrained from giving sustained thought to the principles that should guide such legislation; with a few notable exceptions this is true of public men generally. Interest seems to have been largely confined to those economists and social students who have specialized in this particular subject.

We may have misgivings as to the undesirable complications which such legislation involves, and yet admit that there are certain very desirable results which can be secured by its passage if it is properly guided, and which if they do not outweigh the undesirable results will at least balance them. Even those who are stern critics of such legislation must admit this if they are fair minded. The difficulty is that there does not seem to have been a clarification of what are the most desirable objects to be secured. Indeed, many of the proponents of this legislation, as well as the critics, do not seem to have clearly thought through and itemized in their minds what are the main and the minor purposes to be achieved.

What I shall attempt to do in this discussion is not to argue the pros and cons of such legislation as a general principle, but rather to take it for granted that

such legislation (even though we regard it as a necessary evil) will be passed, and to suggest what is the most important objective to be achieved.

In determining the objective, it is well to recognize that there are two very different sets of circumstances in which men find themselves unemployed. There is unemployment during good times, and unemployment during bad times. For convenience I shall call the first "fair weather unemployment" and the second "hard times unemployment."

During periods of industrial prosperity men become unemployed for many different reasons. Thus fair-weather unemployment includes: in the first place, unemployment which occurs every year with a certain amount of regularity in seasonal industries; secondly, the unemployment which occurs regularly in practically every industry that is dynamic, owing to the introduction of new processes or labor-saving devices. In this case men are forced to find new positions elsewhere and there is a lag during which they are seeking for these new positions. Aside from this lag there is no scientific warrant for the extravagant claims that the machines have created a permanent pool of unemployment. Such forebodings of imaginative statistics will probably prove as sound as Malthus' fears that the population would outstrip the food supply of the world. Thirdly, there is unemployment in the so-called casual trades, such as the longshoreman, where the unemployment is irregular during all the year. Finally, there is unemployment in the industries that because of a change in style or trade practices are dying even in good times.

THIS ENUMERATION is by no means exhaustive, but it gives a fair idea of types of unemployment during periods of comparative prosperity. They have this in common: those thrown out of work can find jobs elsewhere. It may take time, but they can ultimately find jobs if they or their friends, or the agencies helping them, exert sufficient ingenuity and energy. In hard times this is not true.

Again, what distinguishes these different types of fair-weather unemployment from more widespread unemployment during hard times is that distress is apt to be much milder among those unemployed, while the number of those who are unemployed is but a small fraction of those who find themselves out of work during hard times.

Indeed, the difference in extent and intensity of distress caused by hard-times unemployment, as compared with those of the fair-weather unemployment, is so great as to amount to a difference of substance rather than of mere volume. In Ohio, during the compara-

tively prosperous years 1923 to 1929, unemployment varied between 5 and 15 per cent.; but in 1931 the percentage of unemployment was 30. Thus the depth and breadth of these two unemployment problems vary to such an extent as to make them different not only in degree but in their very nature. The one is a great social tragedy which menaces our entire economic system; the other a localized disaster or inconvenience. One is an individual sickness or a local outbreak; the other an epidemic in which everyone is in danger of being infected.

To return to our objective. This may be:

(1) To take care of fair-weather unemployment by: (a) supplementing the wages of unemployed workers in seasonal industries by providing them with funds during the weeks or months that they are unemployed in each year, and thus giving them a more adequate yearly earning power; (b) furnishing assistance to workers unemployed during good times because of the lag between the larger production caused by our rapid mechanization and the finding of new markets for this larger production, or to those unemployed sporadically in the casual labor trades, such as longshoremen; or

(2) Our objective may be to stimulate backward employers by furnishing them with incentives to regularize their seasonal industries or by furnishing them with incentives to stabilize their industries generally by making it unprofitable for them to take on or throw out men too rapidly, thus minimizing the amount of so-called technological unemployment; or

(3) Our objective may be to take care of hard-times unemployment by building up reserves of a substantial volume to provide funds for supporting workers during long periods of business depression—that is, to alleviate so-called cyclical unemployment.

DETAILS of the unemployment insurance scheme that should be urged depend upon which one of these three alternatives we conclude to be our chief objective. For example, should we decide that Number Three—namely, providing reserves for long depression periods, and thus alleviating hard-times unemployment—is our main objective, a long “waiting period” should become an important item in any future scheme. This waiting period is the probationary period after a worker loses his job during which no benefits are paid to him. It is the pivotal and crucial provision in any insurance scheme, and its length—that is, the number of weeks before which benefits are paid—has an important effect upon the manner in which the insurance scheme works. It is a controlling feature in determining the period during which the funds shall be distributed, whether during prosperous times or during hard times.

There is, after all, a maximum amount of premium that industry can afford to pay; and this premium will go much further in relieving real distress if it is not dissipated during periods of minor distress. One can usually buy a surprisingly large amount of major risk protection by rigorously eliminating any attempt to protect the minor risks at the same time. This is a well-recognized principle that is found in accident and health insurance.

Most of those interested in unemployment insurance would agree that Number Three—alleviating hard times unemployment—is by all odds the most important objective. Personally I am strongly of this opinion.

If we agree that it is our main purpose, we must realize that there is danger of joining this main goal (relieving hard times unemployment) with such minor objectives involved in the alleviation of seasonal and technological fair-weather unemployment. Any funds accumulated may be largely dissipated, during reasonably good times, by substantial payments for relieving these minor types of “fair weather unemployment.”

This was the experience of the administrators of the most important union unemployment insurance plan in this country. Despite the wisdom and shrewdness displayed by these organizers, a large part of the funds was used up in providing for seasonal unemployment during fairly good years. The result was that the reserves were none too large when hard times really came. Provision for a long waiting period would have a salutary effect in minimizing the amount of funds spent for seasonal and transitional unemployment.

This waiting period might be as long as sixty days; for it might be taken for granted that any fairly provident worker had sufficient funds to take care of unemployment for that period. Perhaps there are other provisions that could be devised for making it likely that adequate reserves would be piled up in good times, preserved for years of depression, and not dissipated through being paid out for the minor forms of fair weather unemployment.

In any event, during hard times it is decidedly more important to provide benefits for an adequate period, rather than to start the payment of benefits after a comparatively short time of unemployment. Most unemployment insurance schemes in this country have provided a pitifully inadequate period of benefits when the needs of a period of prolonged depression are considered. The highest scheme is only sixteen weeks. At the same time their waiting periods have been comparatively short, two or three weeks. Under the actuarial principles already mentioned, an extension of the waiting period would provide many more weeks of benefit without increasing the yearly premiums. Indeed, it is surprising how many more weeks of benefit can be purchased by a few weeks' longer waiting period. The difficulty will be—if there is such a provision for a comparatively long waiting period—to prevent its being modified. Every effort must be made to prevent an impairment of sound principles under the pressure of political expediency. If there is adherence to this principle, very substantial reserves could be built up for our next hard times.

ONE of the advantages of such a long waiting period is that it would lessen any possible harmful effect of insurance upon the mobility of labor. An earnest controversy has existed as to whether unemployment insurance to mitigate the constant unemployment that is with us during prosperous times does not create undesirable social and economic complications. The particular effect most feared is the decrease in labor mobility. It is claimed that workers have slackened their efforts to hustle and rustle for new jobs, despite the introduction of many ingenious safeguards; and it is urged that this is the inevitable by-product of providing insurance to alleviate fair-weather unemployment.

Impartial students whose obvious sympathies are with the employee groups, and whose competency as observers cannot be denied, have expressed serious concern

over the possibility of such unfortunate results. Other students vigorously maintain that a properly organized system not only avoids such complications but actually is beneficial in its effect. I shall not venture an opinion as to which group of observers is correct. But this can be said: whereas this controversy may exist when it comes to fair-weather unemployment, it would be admitted (even by those that are fearful of the possibility of this danger) that such complication is practically non-existent when it comes to the relief of hard-times unemployment. This is an additional reason for concentrating our efforts upon the alleviation of hard-times unemployment. Not only is it essential, but it is also free of the possibility of such complications.

THERE has been a school which has claimed that our second stated objective should be our principal goal; that is, to provide a stimulus to employers to induce them to regularize their industries. Our experience with the recent depression would indicate that the hope that employers can exercise much influence in preventing cyclical hard-times unemployment is fantastic. Thus, as far as cyclical unemployment is concerned, any idea of using unemployment insurance as a preventive method is out of the question. It would be like endeavoring to use pills to cure earthquakes. Our conclusion must be that if objective Number Three—namely, the relieving of want during a depressive period of hard-times unemployment—is our main goal, we may as well scrap any attempt to use the insurance scheme as a vehicle to furnish inducements to stabilize and regularize industries.

As one who has long been interested in better seasonal planning, I am not suggesting any let-down in our efforts to keep employers alive to the social and economic advantages of preventing unemployment. I merely suggest that the setting-up of unemployment reserves is a most valuable method of taking care of menacing emergency situations, and that it is a pity to run the danger of impairing its effectiveness for this purpose by trying at the same time to use it for another purpose. It is something like allowing fire-escapes to be used for sleeping porches. Fresh air is an excellent thing, but the fire-escape is not an appropriate means to that end. There is always a temptation to use emergency apparatus for routine purposes.

One of the additional advantages of having adequate insurance funds, to meet requirements of unemployed workers during severe depression, is that it would make it much more possible during such periods to balance governmental budgets. It obviates the plea raised by legislators that it is impossible to balance the budget because of the necessity of raising relief funds. It avoids complicating the general economic and fiscal policy of the government with the unemployed relief problem.

Whatever our main objective in unemployment insurance, the best plan would seem to be to have the funds administered as far as possible by each industry separately—e.g., by the electrical industry, the textile, the packing industry etc.—of course in each state. I am taking it for granted that legislation shall make it compulsory for every industry to provide this protection, and to set aside and pay out proper reserves. Within certain broad maxima and minima set by general legislation, each industry could provide its regulations.

I am also taking it for granted that there should be

a joint contribution by the workers and employers and no contribution by the state. If the state contributes it will be difficult to have the pools collected and administered by industries, and this would involve the danger of having the insurance scheme turned into a relief scheme, as has been the case in England. There would be continual pressure to increase benefits, and we might get some of the political abuses which have been connected with our pension system.

The advantage of having the pools collected within each industry, and limited to each industry, is that it restricts the danger of freezing labor in decaying industries or localities. A state-administered pool always involves the danger of preserving dying obsolete industries and foisting their charge upon other industries. This has been the case, I understand, in England. It would be particularly the case if the state contributed any funds towards the reserves out of which benefits are paid. Indeed, it has been generally recognized by observers of European practice that the pooling of reserves has had these unfortunate results. Certain irregular industries have been practically subsidized by enabling them to draw benefits, and enabling these workers to remain in those industries. This has had a tendency to shift responsibility for the cost of the unemployment in those industries to more stable and profitable industries, and it has prevented the adequate reorganization of irregular industries. It has prolonged their dying processes.

In the legislation proposed in this country, the tendency has been to provide that each employer should keep a separate fund and a separate pool. The danger is that this would mean—if our objective is the providing of reserves for unemployed workers during cyclical depressions—that the employees in a weak establishment would be very much sooner thrown upon the community than in the stronger establishment. This is the reason for the suggestion that the best method is to reorganize each industry to act as separate administrative units in working out these problems.

HOWEVER, it must be quite obvious to those of us active in industrial matters that there are many practical difficulties in bringing about such an organization, industry by industry. Many industries will find it difficult to work out their organization, and overlapping will introduce perplexing problems. Perhaps this difficulty could be met by having a miscellaneous division composed of concerns which do not easily fit into obvious industrial groups.

The difficulties in bringing about organization in industry by industry may prove insuperable; and in that case the only recourse will be to make the individual establishment the unit, despite the drawbacks to which I have alluded. Physically the funds could be kept in a general trust pool, with separate credits for each establishment. This may not be as effective as having a fund for each industry, but it would be better than having a general state fund. Perhaps there may be both types of organization: industry by industry, as far as the industries can organize themselves; and the remainder establishment by establishment.

I have confined myself to certain general fundamentals which I feel need emphasis, and to details only in so far as they are important in carrying out the general principles upon which we are agreed. To go into more detail would be beyond the (*Continued on page 50*)



THE BIG FOUR—One Hundred Billion of these cigarettes may be sold this year.

TOBACCO:

A Story of Farming, Taxes, and Business

By HOWARD FLORANCE

CHRISTOPHER COLUMBUS carried back redskins to show the wonders of the New World. A century later Sir Walter Raleigh showed a preference for tobacco. The fame of the first souvenir hunter may prove to be more enduring, yet there is much to be said in praise of Sir Walter. American tobacco grows ever more popular the world over.

Are we a tobacco-smoking nation? Let's look at the record. Using the late war as a favorite starting-point for all comparisons nowadays, we find that in pre-war 1916 we smoked 8 billion cigars and 25 billion cigarettes. In 1930 we smoked 6 billion cigars and 120 billion cigarettes. In fourteen years we had lost some of our liking for cigars, but had acquired nearly five times our previous taste for cigarettes.

Examining the record more closely, we find that the war itself, blamed for many things, was plainly responsible for doubling our consumption of cigarettes in three years—from 25 billion in 1916 to 53 billion in 1919. From 1922 to 1930 the consumption of cigarettes in the United States again more than doubled—55 billion annually grew to be 120 billion. The woman smoker had come into her own.

Three subsequent years of depression have been felt by cigarette makers, production falling to 103 billion in 1932. The use of cigars dropped to about 5 billion.

We have considerably less than a hundred million persons in the United States of smoking age; but if we take that number for convenience we find a per capita consumption last year of 50 cigars and 1000 cigarettes. We also used up 3 pounds of chewing or pipe tobacco per capita. Are we a tobacco-consuming nation? Fifty cigars, a thousand cigarettes, and three pounds of tobacco for each and every one of us, is the answer.

For every person who does not smoke, someone else consumes twice the average quantity.

Meanwhile our tobacco habit exercises a very favorable influence upon agriculture and industry, and above all upon revenue for federal and state governments.

As few uninformed persons would guess, tobacco is one of the principal crops of the American farmer—not in acreage but in value. The tobacco crop was worth \$156,000,000 even in the depression year 1931. Its average per acre value that year was \$78; wheat was worth \$7.31 per acre, corn \$8.85, cotton \$12.12.

Virginia, as in Raleigh's day, is still a leading tobacco region, though it is now only fourth in rank among the states. Kentucky and North Carolina have gone far in the lead, each producing around 500 million pounds of tobacco in a year. Tennessee is third with 127 million pounds in 1931, and Virginia fourth with 106 million. South Carolina is fifth in rank. Connecticut grows a highly prized leaf used mainly for cigar wrappers; Pennsylvania and Wisconsin specialize in filler tobacco. From Massachusetts to Florida, and as far west as Wisconsin and Missouri, tobacco fields dot the landscape and form an important factor of farm income.

Tobacco also is a principal item of export, one of those rare things which the rest of the world is still willing to buy from us. We part with a third of our tobacco each year (some of it manufactured), for about 160 million dollars. Nearly half of this goes to England, and a third goes to China. In turn we import tobacco to the value of 40 millions annually, from Cuba, Greece, Turkey, and Sumatra. Thus the export tobacco business founded by Sir Walter Raleigh 350 years ago is still worth a net of 120 million dollars in each year to Uncle Sam. The world likes American tobacco.

CONNECTICUT TOBACCO,
shade-grown under cheese cloth and
here hung up in ventilated barns.

From Ewing Galloway

And in the process of transforming the leaf on the farm into the leaf or shred for the smoker—with years of ageing and curing and much blending in between—tobacco becomes an important item in the great American business of manufacturing. The making of cigars, cigarettes, and smoking or chewing tobacco gives employment to 116,000 men and women (1929 Census of Manufactures), with no estimate available as to the number employed in catering to the smokers' tastes through jobbing and retail outlets. In the factory end alone the wages amounted to \$95,000,000 in 1929, and the value of the products of the tobacco industry in that year were estimated by the Census Bureau to have been approximately a billion and a quarter dollars.

NO OTHER ARTICLE is so highly taxed as tobacco. When you pay 10 cents for a package of cigarettes these days (and you can buy them at that price in some places), more than half of your money goes to Uncle Sam. Four cents represents cost and profit to the farmer, transportation to the factory, cost of manufacturing (including such things as machinery, labor, tinfoil, and cellophane), profit for the manufacturer, transportation to the retailer, and overhead and profit for the storekeeper. Four cents for all those things, including risk; and six cents for the Government. Similarly there is a heavy tax on cigars, varying with the price grade, and on all other forms of tobacco.



From Ewing Galloway

BURLEY TOBACCO in North Carolina, center of tobacco growing and tobacco manufacturing.



It is, indeed, the country's most stable source of revenue in this period of depression, passing customs duties to become the second largest item in Uncle Sam's income budget. Here are some interesting figures (in millions of dollars):

	<i>Income tax</i>	<i>Tobacco tax</i>	<i>Customs duties</i>
1929	2,331	434	602
1930	2,410	450	587
1931	1,860	444	378
1932	1,056	398	327

These statistics are for fiscal years ending June 30. Receipts from the income tax have fallen 56 per cent. from their high point, and customs receipts 47 per cent. But the Government's revenue from tobacco has fallen by 12 per cent. only. In 1930 this tobacco tax yielded almost ten times as much as in 1905.

With a million dollars a day pouring into the coffers of Uncle Sam, our state legislators have lately been casting envious eyes on the cigarette as a source of state revenue also. There has been a tendency to overlook the possibility that a tax of 100 per cent. may be as much as the traffic will bear, and that further taxation may kill the goose that lays the golden eggs.

South Dakota and Georgia placed a tax on cigarettes in 1923. They were the first states to do so. In Georgia the revenue was originally used to pay pensions to Confederate soldiers and their widows; in South Dakota it was used to build schools. Now there is a local tax on cigarettes in fourteen states. At first the customary rate was 2 cents on each package of twenty; now it runs as high as 5 cents. While the federal government's stamp is affixed by the manufacturer, these state stamps are placed on the package by the retailer. The tobacco industry believes that it has just cause to complain. An article which, as we have seen, nets 4 cents

to the farmer, the manufacturer, and the retailer combined, is subject to taxation amounting in some instances to 11 cents.

Profit in any business is dependent upon the price one receives for his product, but it seems fair to add that this is especially true of the cigarette industry. Manufacturers of what are known as 15-cent cigarettes make an article that is the essence of standardization in appearance and in cost of raw materials. They pay the same revenue tax to Uncle Sam; they buy their raw tobacco in the same markets; they use the same machinery, the same class of labor, and the same advertising methods. By coincidence or design they usually sell their wares at the same wholesale price.

There is intense competition in sales appeal, the effort to persuade a smoker to buy one brand in preference to another; but all through three years of depression there had been none of the price-cutting that was so apparent elsewhere and that destroys profits. There was profit in the early part of 1931, even before the advance in wholesale price (in June of that year) from \$6.40 per thousand to \$6.85. Afterward there was larger profit at the higher price, until a new element of competition appeared—the 10-cent cigarette, born of economy in the hearts of men, nursed by the low cost of raw tobacco, and grown fat upon the very advance in price that had been ventured by the hitherto impregnable Big Four.

THE TOBACCO INDUSTRY, in fact, stands out as the one place where profits in 1930-'32 were greater than in the historic year 1929. It was only in the latter half of 1932 that the clouds began to gather. Were people smoking fewer cigarettes? Yes. Were they "rolling their own" from 5-cent tobacco bags? To some extent. Were they smoking the newer and cheaper brands? Revenue statistics from Kentucky indicated that they were.

The Big Four moved to meet the new situation. The wholesale price of their 15-cent cigarettes was reduced twice, on January 2 and again on February 11. The first reduction carried the price down from \$6.85 per thousand to \$6. It failed to bring sufficient response from retailer and consumer. The second reduction carried the wholesale price down to \$5.50 per thousand. Immediately our 15-cent cigarettes were widely offered for sale at 10 to 11½ cents retail.

What the new scale means is indicated by a glance backward, at price movements over the last ten years:

1922,	\$6.40 per thousand
1928, April	6.00 per thousand
1929, October	6.40 per thousand
1931, June	6.85 per thousand
1933, January	6.00 per thousand
1933, February	5.50 per thousand

Wholesale prices are subject to discounts of 10 per cent. and 2 per cent.; so that the old \$6.85 rate meant actually \$6.05 to the manufacturer, and the new \$5.50

price means \$4.85. Thus the net loss to the manufacturers from the combined reductions of January and February is \$1.20 per thousand. If the Big Four sell 80 billion cigarettes in 1933, it means a loss to them of \$96,000,000. Their combined profits in 1932 were \$107,000,000. But they hope to increase their sales!

The higher price of the Big Four brands (from June 1931 to January 1933) had furnished the golden opportunity for rivals to spring up, comparatively small in size. These competitors from the beginning have offered their cigarettes at 10 cents retail, for a package of 20. Little or nothing has been spent by them for advertising, dependence being placed upon mere display in tobacco stores, upon word-of-mouth endorsement, and upon the consumer urge that was born of a lower price.

Best known among these 10-cent cigarettes, in the order of their appearance, are White Rolls, Paul Jones, Wings, and Twenty Grand. The first two are Virginia-made, and appeared in 1931. The last two are made in Louisville, Kentucky, appeared in 1932, and are most popular at the moment. All four are the product of men and factories long in the tobacco business. Wings are made by the Brown & Williamson Corporation, who also manufacture Raleigh cigarettes and Target cigarette tobacco. Twenty Grand cigarettes are made by the Axton-Fisher Tobacco Company, who also make Spuds, a 20-cent mentholated cigarette. Twenty Grand is a slang expression for twenty-thousand dollars; it is the name of the racehorse which won the Kentucky Derby in 1931; and on a package reading Twenty Grand Cigarettes it is descriptive in the opinion of the makers.

The smoker is quick to detect skimping in quality, or any change in taste. He likes his cigarettes regular. Spuds have made a notable showing in this respect; and denicotinized cigarettes (like Sano) are now hoping similarly to win large patronage.

WHO ARE THESE Big Four who dominate the cigarette industry? They are the creation of the Supreme Court of the United States. In the Taft administration, when George W. Wickersham was Attorney General, the Government brought suit against the Standard Oil Company and the American Tobacco Company, as illegal combinations in restraint of trade under the Sherman Anti-trust Law. Carried through to the United States Supreme Court, the Government won both of its suits in 1911.

It was held that the American Tobacco Company controlled 81 per cent. of the cigarette business and 78 per cent. of the smoking tobacco business. Its interest in cigars was slight. The plan for dissolution, agreed upon by the company and the judges of the Circuit Court, provided for dividing the old company into four units. Two of these were especially created for the purpose: the P. Lorillard Company and the Liggett & Myers Tobacco Company. The third was the restoration of the old R. J. Reynolds Tobacco Company, and the fourth was to include the legal remains of the American Tobacco Company. (Continued on page 50)

Company	Assets	Cash and Securities	Tobacco Supply	Good Will; Trade-marks	Net Income	Common Dividends
American Tobacco... (1931)	\$294,390,000	\$90,813,000	\$98,137,000	\$54,099,000	\$46,189,000	\$28,445,000
R. J. Reynolds..... (1932)	\$186,219,000	\$60,340,000	\$76,356,000	\$	\$33,674,000	\$30,000,000
Liggett & Myers..... (1932)	\$189,872,000	\$79,727,000	\$76,746,000	\$	\$23,075,000	\$15,684,000
P. Lorillard..... (1931)	\$101,098,000	\$15,985,000	\$43,834,000	\$21,268,000	\$ 4,846,000	\$ 573,000

A New Plan for Higher Education

By ROBERT M. HUTCHINS

PRESIDENT, THE UNIVERSITY OF CHICAGO

▼ ▼

SHORTEN the elementary school to six years. Devote three or four years to the secondary school, and three or four to the college. Then offer university facilities to the select, at the present sophomore age of eighteen or twenty.

▼ ▼

AT THE MOMENT the prospects of higher education in America are not particularly good. In every part of the country the cry is that much of the money spent on education has been thrown away; and the chorus swells louder as the discussion reaches the higher levels of learning. Proposals are being made to abolish high schools, on the theory that all the common people are entitled to is eight years in the grades. Public junior colleges of course must go; and if state universities may remain we must attribute this indulgence to the political power of their graduates, rather than to any popular conviction of their usefulness.

I do not believe that this movement to exterminate types of educational organizations will get very far. They have grown up in response to real needs which are now more intense than ever. They grew up because young people could not become workers and had to become pupils. It is common knowledge that that situation is more aggravated now than we ever imagined it could be. From 1920 to 1930 the high-school enrollment of pupils between 17 and 18 increased 196 per cent. It is reported that enrollment in junior colleges in the Chicago area has doubled in the last two years. Graduates of Chicago high schools are clamoring for a chance to continue their education; the school system cannot accommodate them.

This type of public pressure cannot be long resisted, even in hard times. High schools, junior colleges, and state universities will survive. They will survive, of course, on a starvation diet. But the custodial feature of these institutions is too obvious to secure any serious hearing for the advocates of their abandonment. Think what would happen if the schools were closed. Even if no teaching were done they would have to remain open to keep the children off the streets. The suggestion that the children might stay at home is answered by the most casual glance at the homes from which they come. Six of them might conceivably spend the night in one small room; they could hardly spend the day there.

Educational institutions will be kept open, on a reduced scale. Reductions in the public schools are likely to be of two kinds: those that limit the opportunities of the pupil, and those that limit the rewards of the teacher. The first group of reductions rests on the assumption that there is a certain minimum education

which constitutes the maximum obligation of the state. But I beg to assure you that the minimum obligation of the state is to give its citizens the maximum education within its means.

Instead of reducing the opportunities open to pupils at the lower levels we ought now to be increasing them. The reason why we are not is that we feel we cannot afford it. But sooner or later we shall see that we cannot go on treating all pupils of high-school age almost alike. We must have at length alternative curricula at the high-school level. And these alternative curricula must extend into the junior college. I see no escape from the proposition that the future will bring the same increase in junior-college enrollment that the high school has experienced, and that these organizations must also offer instruction adapted to the students in them rather than to the classical prejudices of our people or the demands of the universities.

If we can work out a rational organization of our school system the greatest obstacle to public understanding will be removed. Such a rational organization must begin with the elementary school. It is now clear that the work of that school can be completed in six years. After it should come a secondary unit definitely preparatory, and not terminal in character, covering three or four years. Above the secondary school there should be a set of alternative courses of study, definitely terminal and not preparatory in character. They should cover not less than three and not more than four years. One of them should be devoted to general education. Others should deal with various types of technical training adapted to those who are not going on into professional schools of engineering or business, but whose leanings are in these directions rather than toward general education.

WE SHOULD THUS look forward to accommodating the educational needs of our population up to their eighteenth or twentieth year by six years of primary school, three or four years of secondary school, and three or four years of terminal courses of a technical or cultural kind. At the eighteenth or twentieth year the university should begin.

The university is not an instrument of popular education; it is an organization for the promotion of scholarship. Therefore it should be differentiated from the high school, the college, and the technical institute. As we have seen, students should enter the university at the end of the present sophomore year. They would thus be between eighteen and twenty, depending on the rate at which they have completed their secondary and collegiate education. They should not enter the university unless they have scholarly or professional interests. The collegiate period should terminate in the college. The object of faculty and students in the university should be the highest (*Continued on page 53*)

De Valera and Hitler: Europe's Men

WHITHER the Irish?
"The Wearing of the Green"
takes on a new significance

DOMINION or republic? Such was the ultimate decision which faced Irish men and women voters as they trudged to the polls in the general election of January 24. Should it be Eamon De Valera, proponent of republican nationalism, or William Cosgrave, who abides by Irish dominion status within the British Commonwealth of Nations? And the voters of Ireland, who possess a long historical memory, answered emphatically: "De Valera."

The powerful Republican party, which has been in power for a year in coalition with a small Labor group, gained impressively and now holds a majority in the Dail Eireann—the Irish Parliament. The Dominion party suffered substantial losses despite the high esteem in which ex-President Cosgrave is held by friends and foes alike. Voting was orderly, as was to be expected in one of the three hopeful post-war states of Europe. (Finland and Czechoslovakia are the other two.) The Hare method of proportional representation, used in Ireland, functioned beautifully—although the complicated count delayed a trifle the compilation of complete election returns. De Valera has received a mandate of popular support in his nationalist program, and this sternly religious mathematician (born in New York) can now proceed "anchors aweigh" to his heart's desire.

He believes in an independent Irish republic, and favors the establishment of Irish industrial projects for the promotion of economic self-sufficiency. Cosgrave upholds the imperial connection in order to secure preferential markets for Irish agricultural wares, in exchange for the necessary manufactures of England. It is an example of the world problem: *autarkie* versus preferential trade; nationalism versus internationalism within the framework of empire.

The question of land-annuity payments is important. When the great landed estates of Ireland were mercifully subdivided among the impoverished peasants who farmed them, the new peasant proprietors undertook to make long-term instalment payments to the government—which, in turn, was to reimburse the former landowners (many of whom lived comfortably in England). De Valera, the patriot, objects to 3-million pound "tribute" payments. He insists that, after eight-hundred years of intermittent warfare, England instead owes Ireland reparations. If England begrudges war debts to America, says he, why should the Irish peasants pay land-annuities to England? Are not the Irish peasantry, he continues, buying back what the English aristocracy once seized by force?

De Valera also objects to the oath of allegiance to King George, demanded when Irish officials take office. The house of Windsor seldom visits Ireland (where it has never been popular), and republican sentiment dis-

likes any trafficking with monarchism. De Valera, furthermore, desires union with the six Ulster counties, which contain a strong Catholic minority. A separate Ulster is favored by many Englishmen on imperial and religious grounds. De Valera is supported by the pugnacious and unofficial Irish Republican Army; while Cosgrave is upheld by an equally informal Army Comrades Association—which correspond to Hitler's Brown Shirts and Seldte's Steel Helmets in Germany. England, to her great credit, observes strict neutrality as between De Valera and Cosgrave. She has learned tact.

England first seized parts of Ireland in 1172, when Henry II invaded the emerald isle. The trouble had begun. Later came the Protestant Reformation, which England adopted and Ireland indignantly rejected. The cleavage was widened. Against Queen Elizabeth and the Puritan republic of Oliver Cromwell the Irish rose, and were rigorously suppressed. Ulster, in the north, was turned over to Protestant colonists from England and Scotland—a source of future dissension. The Spanish armada enjoyed Irish support, as did the frigates of Napoleon and the German U-boats in later times. The Irish also rose against William of Orange in 1688, and were crushed at the battle of the Boyne. In 1798 came a great Irish rising (this time led by Protestants) in alliance with the freemasons of Revolutionary France. Two years later came the Act of Union, which abolished the Irish Parliament and instituted organic union with the English. There was another Irish rebellion in 1803, under Robert Emmet.

IN 1845 came the potato famine, which started the great Irish immigration wave to America. Prior to this, the Irish population totalled nearly nine million; today it is only four million. While England's population more than doubled, Ireland's was halved! Gladstone, greatest of English statesmen, spoke for Ireland; and the Episcopal Church was disestablished in 1869—as a tribute to the Irish Catholics. The land laws were reformed by subdivision of the great feudal estates, which was begun in 1885.

Tentative home-rule was granted to Ireland in 1914, with Protestant Ulster in violent opposition. Then came the World War, and the Easter Monday revolt of 1916 in Dublin. There followed a horrible guerrilla war between Irish patriots and English troopers, which lasted till Ireland was elevated to dominion status in 1921 by special treaty. (Ulster refused to go with the rest of Ireland, and set up her own semi-dominion of "Northern Ireland". Her boundaries have been in dispute ever since.)

De Valera and Cosgrave had both fought against England, but after 1921 they quarreled—De Valera still demanding complete independence, Cosgrave upholding the new dominion status. Their respective followers indulged in hostilities for a year or more. In 1923 the Irish Free State, amid acclamation, entered the League of Nations at Geneva. Was the January election a further step toward complete independence?

of the Month

By ROGER SHAW

BELLICOSE Adolf Hitler comes in, which is not sensational after all

ADOLF HITLER, born in Upper Austria in 1889, has been appointed chancellor of Germany after fourteen years of political agitation. His victory, under the swastika emblem of German fascism, is primarily a triumph for the middle-class—at the expense of the trade-union elements which have generally predominated in Reich politics since the revolution of November, 1918. Hitler's appointment at the end of January did not come as any great surprise, for his highly organized machine had attained such proportions that its ultimate advent to office was more or less assured. His voting strength is reckoned as between 30 and 40 per cent. of the German people, including shopkeepers, white-collar unemployed, romantic youth, ex-officers, Protestant peasants, and a fair number of the north-eastern Junkers. Your typical Hitlerite is the small businessman.

Hitler's appointment was perfectly logical. It was impossible to form a parliamentary majority (51 per cent.) in the Reichstag, because of bitter party divisions. Hitler headed by far the largest single group (195 members), in alliance with the 50 Nationalist members of Dr. Alfred Hugenberg. It was the best that could be done under the circumstances. A Reichstag election will be held on March 5, in which Hitler will seek an absolute majority. On the same day there will be a Prussian Diet election. As this is written, there rages a feverish electoral campaign, with the orderly trade-unions and the disorderly communists in opposition. The Catholic Center party, to date, holds the balance of power enigmatically.

Hitler now is in office on a strictly legal and constitutional basis. He is in no sense a dictator. But if the March election goes against him, and he is unable to secure a parliamentary majority, it is possible that he may depend on his Brown Shirts much as Cromwell once did on his Ironsides. *That* would be a real dictatorship.

For this very reason many liberals (who dislike Handsome Adolf) will be inclined to vote for him. They will wish, presumably, to preserve the present Weimar Constitution unbroken; thereby keeping Hitler within the limits of republican legality. Hence they will work for a parliamentary majority in support of the new chancellor, with the belief that he will ultimately fall as have many chancellors before him. In this way they hope to save the very well-planned Weimar republic.

The Hitler cabinet includes two other Nazis: Captain Goering, the famous war ace; and Dr. Frick, lately state minister in Thuringia. Goering will handle aviation, and Frick is minister-of-interior. (Goering was



From Ullk (Berlin)

HITLER rides into power in his fascist vehicle, holding aloft the bird that was once the splendid German eagle.

presiding officer of the last Reichstag.) Ex-chancellor von Papen, a great industrialist, is vice-chancellor and caretaker for the state of Prussia. Baron von Neurath and Count von Krosigk, foreign and finance ministers, are retained from preceding cabinets as non-partisan experts. Dr. Alfred Hugenberg, head of the Nationalists, newspaper magnate, and owner of UFA motion pictures, is minister-of-economics. He is an avowed monarchist and reactionary. Franz Seldte, one-armed leader of the Steel Helmets and a Magdeburg industrialist, is minister-of-labor. (His war veterans correspond closely to the American Legion.) General Walter von Blumberg of the Reichswehr, a confidant of President Hindenburg, is minister-of-defense. The cabinet, as a whole, is highly conservative. Adolf, who receives an income from journalism, has refused his official salary.

HITLER is an arch-enemy of the Marxian doctrine of the class-struggle. This accounts for his avowed anti-semitism, in the following way. He would unite all classes in a common hatred of the Jews—traditional scapegoats in Germany—so that the pauper Nazis hate the wealthy Jewish bankers, and the plutocratic Nazis hate the penniless Jewish communists. Thus *all* the Nazis, rich and poor, have a binding tie. The writer does not expect active anti-semitism, in actual practice, to mar the Hitler régime.

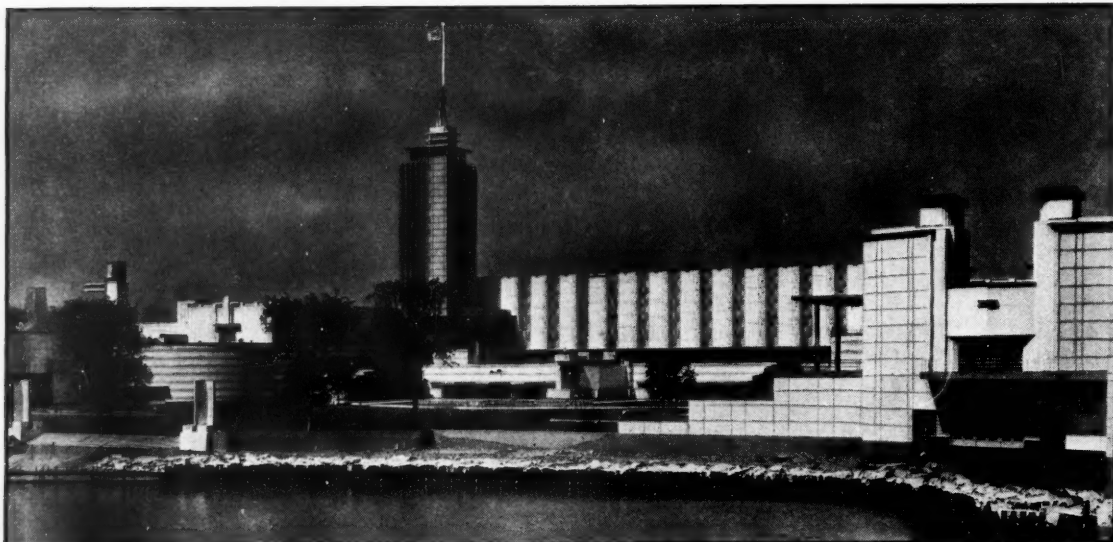
The Hohenzollern family is undoubtedly pro-Hitler; but just how pro-Hohenzollern Hitler is remains problematical. It is conceivable that a Hohenzollern, the Crown Prince or his eldest son, may run for president in the future; but fascism—as shown in Italy—is notoriously indifferent to monarchs and thrones. Hitler's Junkers, none the less, are monarchist. It is too early to speculate in the matter.

Hitler, it should be remembered, is radical only in his methods. He is extremely conservative in his objectives—the direct antithesis, let us say, of our own Norman Thomas, who is radical in his objectives and extremely conservative in his methods. Mr. Thomas has the British outlook, while Herr Hitler has the Italian. Be that as it may, Hitler as chancellor—in the year of grace 1933—is nothing whatsoever to worry about.

◦ ◦ A DEPARTMENT OF CIVIC ACHIEVEMENTS ◦ ◦

In Coöperation with the American Civic Association

Chicago's Second World's Fair



THE MODERN SPIRIT in architecture has been granted full sway in constructing Chicago's Century of Progress Exposition. The Hall of Science, pictured above, is a U-shaped structure 700 by 400 feet, enclosing a court accommodating 80,000 persons.

FORTY-YEAR-OLD starlight, aged in the ether, will be used to start the World's Fair humming this June. By some highly scientific process, which has to do with a photo-electric cell, the lights of the Hall of Science will be turned on by the rays of Arcturus, a fixed star of the first magnitude. Arcturus is forty light years away, so the star beams which will be used were being shed when Chicago was having its first World's Fair in 1893. With that dramatic beginning, the Century of Progress Exposition will reveal other wonders of the world to visitors.

From the standpoint of civic achievements, world fairs are important current events. Their buildings are often permanent additions to a country's architecture, their type and design exerting definite influence upon public taste. Paris has its fair of 1878 to thank for Trocadero Palace, and its exposition of 1889 for the famous Eiffel Tower. London has its Crystal Palace which first thrilled the crowds at the exposition in 1851.

As a second contribution to progress, large fairs exert influence in molding the mass mind. The Exposition des Arts Decoratifs, held in Paris a few years ago, was largely responsible for the widespread use and interest in modern design and decoration. Chicago's first fair—the White City—it was called—went in strongly for buildings of classical design. This trend in architecture made a lasting impression, and most public buildings erected after the fair were of classical inspiration. One has but to study the previous fashion in municipal buildings to realize the advan-

tages of the change, and to appreciate the much needed incentive for an improvement of public taste and refinement.

It was this fair, too, which was a big factor in influencing city authorities to employ landscape architects to lay out and improve their cities. Street extensions, municipal planning, and beautification in general were given a mighty boost in 1893; and the echo was heard 'round the country.

The fair that opens in Chicago this June is too colossal to describe here in detail, and it is too early to know how the public will react to its modernistic influence. It should provoke a boom for modernism in design.

It is dominated by architecture more modern than the Empire State skyscraper, more new-fashioned than the latest interior by Frankl. A perfect expression of the age we are living in, it stresses utility, practicality and simplicity. Many of the buildings have an absolutely antiseptic appearance, clean cut, and uncluttered with meaningless decoration. This type of architecture has never before reached the mass, and it will be interesting to watch its influence on the mansions and Main Streets of tomorrow.

The San Diego Exposition popularized Moorish Spanish architecture and was largely responsible for the Mediterranean movie palaces and Mexican bungalows which appeared all over the landscape. As a result of the 1933 fair, perhaps the hot-dog stands of the future will look like bank vaults, and private homes like the interior of the Hudson Tunnel. But at least gingerbread and

rococo embellishments will be abolished.

The buildings of the Chicago Exposition are exciting examples of the best that is being done in modern architecture today. There is a fine balance of utility, esthetic worth, and endurance. The Administration Building is severely rendered, dramatic, and restrained. The central unit is white with wings of midnight blue. The group devoted to electrical displays will have hanging gardens, electrical cascades and waterfalls.

A SHARP contrast, the Golden Temple of Jehol is a copy of an old Chinese shrine of the lamas. It is exquisite in its detail. Old Fort Dearborn is to be reproduced, so that visitors to the fair may see the buildings and life of Chicago in the days of Indians. An African jungle, complete with kraals, villages, ancient arts, and natives; a Viennese inn, and an old Heidelberg café will give the fair an international flavor.

There will be an art exhibition which will be the greatest loan show ever staged. Twenty-two American museums and 200 private collectors will contribute. Five acres of flowers and 52 gardens of plants and shrubs will be part of the offering of the Horticultural Exhibit. Florida will send live citrus trees dripping with that old orange-blossom fragrance. An Enchanted Island will be devoted to entertaining children while their parents tour the grounds. Here there will be magic mountains, toy trains, marionettes, and attendants to occupy the minds of the younger generation while their families are seeing the sights. Two great steel towers will serve as connecting points for rocket cars which will

rush passengers back and forth over the lagoons at a height of 200 feet.

It is not ballyhoo to venture the guess that Chicago's exposition of a Century of Progress will be the biggest and most spectacular fair of history, and the major civic achievement of the year.

A Famous Mayor and a Balanced Budget

NO LESS FAMOUS than New York's erstwhile Jimmy Walker is the mayor of Lyons in France. He is better known to the world as the former Prime Minister of the French nation; but Edouard Herriot is above all a hero in his own home town. He has been mayor of Lyons for twenty-eight years. Under his régime the city has prospered to such an extent that it has become the French model of municipal administration. New schools, free food shelters, workmen's houses, and a home for unmarried mothers (maintained by the town) are among a long list of civic achievements in Lyons.

As its crowning glory the city has a balanced budget. M. Herriot attributes this to hard work, thriftiness, and the fact that improvements have been made gradually and never rushed through too fast. The city's receipts are supplied through public utilities, municipal concessions, income from communal property, a special tax added to the state tax, and a tax on beer and wines.

Raising the National I. Q.—Adult Education

ONE OF THE most cheerful things that has come out of the depression is the growing interest in adult education. Schools devoted to this phase of progress are founded on the time-honored educational principle of Cardinal Newman, that knowledge is its own end.

An interesting project has been recently inaugurated by the American Association for Adult Education. It is an adjustment service for the unemployed of New York City. One hundred thousand dollars is to be spent to strengthen their morale and to condition them to the general situation and their own share and future in it. It will be under the direction of John Erskine, the well known novelist and professor. If this project is a success, we may find schools springing up all over the country whose main function is to combat melancholia and inanition brought on by unemployment and the new enforced leisure.

Over on Twelfth Street, in New York City, the New School of Social Research is carrying on another type of adult education. It now has an enrollment of 1700 students, whose occupations range from dry-cleaners to attorneys, from fur salesmen to importers. About sixty of these adult students are now paying for their courses by barter-exchanging their time for education.

Of especial value to persons interested in civic progress is a course, now being given, in housing problems. The survival of obsolete housing and the more forward looking developments are studied first hand. Another course, unique because it has usually been con-

sidered an esoteric subject, is on landscape architecture. Among the lecturers here are Richardson Wright, editor of *House and Garden*, who will discuss gardens, the increasing interest in them, and the influence of this interest on the American scene; and Major Gilmore Clarke, landscape architect of the Westchester County Park Commission, who will similarly lecture on public parks and boulevards.

A phase of adult education which is familiar to REVIEW of REVIEWS readers by reason of announcements appearing regularly in the magazine, is the Home Study Course offered by Columbia University. These correspondence courses are sent to persons in all parts of the world as far off as China, Madagascar, and India. Four thousand persons are enrolled at the present time. Among many opportunities for supervised home study at Columbia, the courses in Civics, American Government, and Sociology should be of especial interest to the readers of this department.

\$20,000,000 Worth of "Renovize"

PHILADELPHIA is entering, body and soul, into a campaign for combined city improvement and unemployment relief. The stimulus of local loyalty and the spell of a new word—renovize—have inspired citizens to pledge more than \$20,000,000 to be spent within the next six months. It will be used by the individual pledgers to renovate and beautify their personal property, and will stimulate business in general.

With Big Business efficiency, the city was canvassed thoroughly. Every one was approached who could possibly pledge any kind of improvement, from setting out a two dollar tulip or buying a love seat for the garden, to cleaning up vacant lots and tearing down useless buildings.

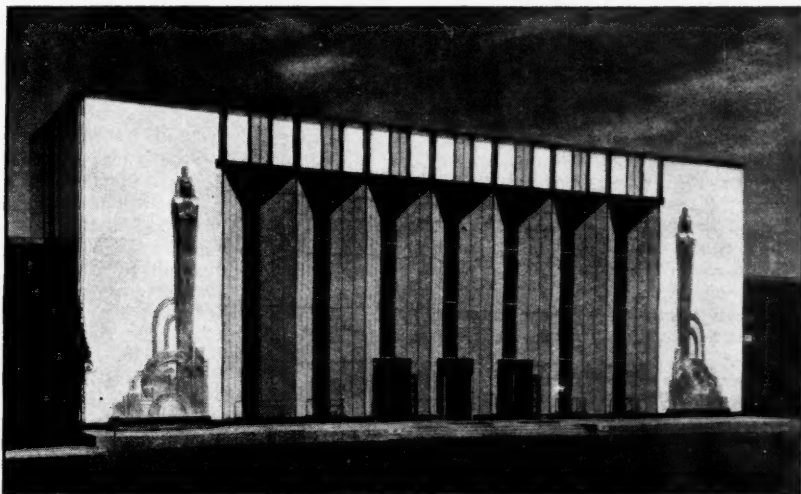
This renovize campaign has had more publicity than a movie star. Renovize flags have flown; renovize billboards and posters have covered the region; renovize full page advertisements have been

contributed by the daily papers. The pledge-signers themselves, however, who promise to spend a certain amount for improvements, are assured of as much privacy as the Ku Klux Klan. This secrecy protects them from a major stampe of doorbell-ringers offering their services. It has been suggested that materials and work be purchased through ordinary business channels.

Thanks to the renovize campaign, and to the public spirit of its citizens, Philadelphia will probably emerge from the depression shining like a new Rockefeller dime.

• • A SIGNIFICANT battle over billboards is coming to an end in Massachusetts. For seven years, three cases have been pending in the Supreme Court of the state. These cases test (1) the constitutionality of state regulations of outdoor advertising; (2) the right of a town or city to control billboard advertising by local ordinance under the police power; and (3) the right of the city of Boston to ban a huge electric sign overlooking the Common, purely on esthetic grounds. The report of the Master to the court foreshadows a decision by the Massachusetts Supreme Court which will uphold these regulations. Meanwhile attempts are being made to repeal the laws now being tested, and to bring back billboards to their former place in the sun. Workers for roadside improvement venture to hope that the Commonwealth of Massachusetts will keep intact its laws which stress the esthetic and commercial value of beauty, and which protect public interests in place of private selfishness.

• • NATIONAL MONUMENT Number Thirty-Seven has been born and is under the protection of the National Park Service. It is a section of the Grand Canyon, about fifty miles down the Colorado River from the popular looking-off place of tourist fame. The new section is 392 miles square. It brings into the national monument system a part of the Colorado River gorge which has been called "the last and least known of our frontiers."



THE MAIN FACADE of the Administration Building of Chicago's 1933 World's Fair typifies the striking design of the entire exposition. Its white aluminum ornamentation offers a striking contrast to the building's dark blue wings.

The March of Events

January 10 to February 10



ADOLF HITLER, new German Chancellor, whose speeches have emphasized armed force as a basis for fascist authority.

Congress

The "parity" plan . . . Philippine independence . . . End of Lame Ducks . . . The Glass bank bill.

SPECIAL AID is proposed for seven agricultural products as the House passes (January 12) the Jones "parity plan" bill. Wheat, cotton, hog, tobacco, rice, peanut, and butterfat producers who meet prescribed reductions would receive from the Treasury a bonus equal to the difference between present market prices and those prevailing just before the war. The bonus would be raised by taxing the first processor of a commodity.

PASSAGE (January 17) of the Philippine independence bill by the Senate—carrying with it final approval of the United States—gives the Islands the right to independence. If the Philippine legislature sanctions the act, a popular vote will be taken on a proposed republican constitution approved by the President. Rejection of this constitution would keep the Islands under United States control. Acceptance would be followed by independence after a ten-year trial period. During this, quotas will be placed gradually on emigration and exports to the United States which—after the period—would still control foreign affairs and matters affecting the currency. President Hoover had vetoed the bill on its previous passage by House and Senate.

No "LAME DUCK" session of Congress can convene after October 15, 1933. Congress will meet every year on January 3. Presidents and Vice-Presidents are to be inaugurated on January 20 instead of March 4. Senator Norris' ten-year fight to make these provisions law ends successfully as Missouri—last of the necessary three-fourths of the states—

ratifies the Twentieth Amendment to the Constitution (January 23). The 327 days necessary to secure ratification by thirty-six states constitute the shortest ratification period for any amendment since the abolition of slavery at the end of the Civil War. Executive succession in the event of the death of the President- and Vice President-elect is also provided.

THE whole question of currency inflation bursts out of committee rooms and appears on the Senate floor (January 23) during the course of debate on the Glass banking bill. Adherents of the four leading inflationist schools define their methods: 1. Outright issuance of new currency; 2. Devaluing the gold in a dollar; 3. Directing the Federal Reserve to raise commodity prices by regulating credit; 4. Remonetization of silver.

SENATOR GLASS' bill to provide "safer and more effective" use of Federal Reserve Banks' assets, encourage branch banking, and regulate speculative use of bank funds, is passed by the Senate (January 25). Passage comes after collapse of an eight day filibuster—led by Senator Huey Long—which tried to eliminate the branch banking provision and write a currency inflation proposal in its place. The bill would prevent Federal Reserve credit from entering speculative channels and deny the right of national banks to maintain security divisions. National banks would be permitted to engage in branch banking in states where the practice is permitted.

INDICATIONS that Senate leaders wish to keep currency legislation in conservative hands is seen in passage of the Harrison resolution (January 26). It provides that all depression-relief legislation in the Senate be considered by the

Finance Committee—where economists and financiers can be heard, and testimony taken be used as a basis for action in the new Congress.

A YEAR'S extension—to March 3, 1934—for the Glass-Steagall credit expansion act is approved by the House as it passes (January 30) a bill referred to it by the Ways and Means Committee.

Economy and the Budget

President Hoover urges . . . Setback for prohibition . . . Veterans again.

PRESIDENT HOOVER concludes an unexpected message (January 17) urging Congress to take definite action on the budget by saying that such a course would be of invaluable service to his successor's administration. His message reaffirms his belief in a balanced budget as a powerful foe against depression; and in the importance of a sales and continued gasoline tax. The President adds a new plea for a balanced budget: that it is necessary before the government can start refunding operations on its high-interest-bearing bonds. On the following day, the House Ways and Means Committee votes to postpone important revenue legislation until an expected special session of Congress after March 4.

HOUSE Democrats destroy President Hoover's plans for governmental economy by voting (January 19) to reject the bureau-reorganization plans he submitted on December 9.

PROHIBITION is rebuked by the House when it passes an appropriation bill for the State, Commerce, Labor, and Justice

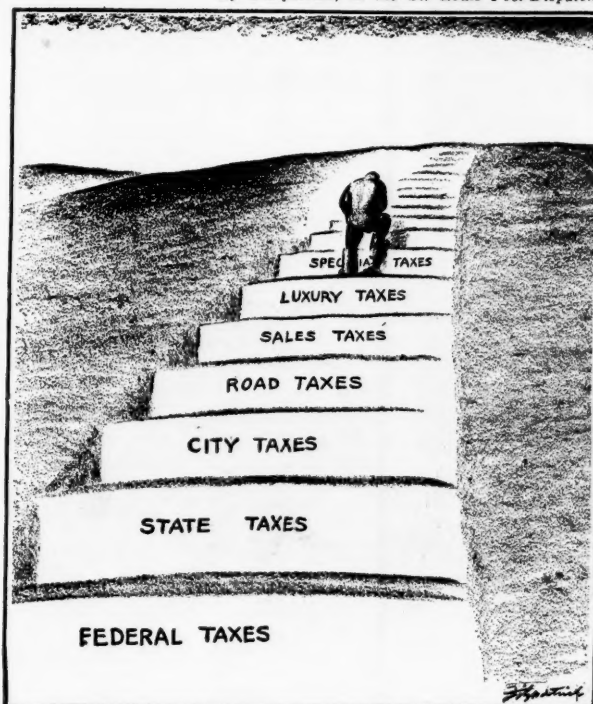
Continued on page 58

OVER THE HILL TO THE POORHOUSE

By Fitzpatrick, in the St. Louis Post-Dispatch

WELL, there's more than one way to get there!

By Donahey, in the Cleveland Plain Dealer

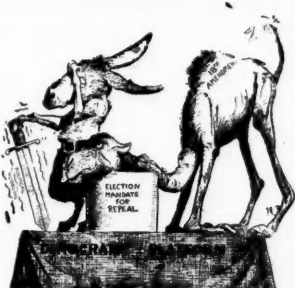


"WHAT'S the use of holding that conference?"

By Warren, in the Philadelphia Public Ledger



CARTOONS OF THE MONTH



HAS the executioner lost his nerve?

By Scott in the Portland Oregonian



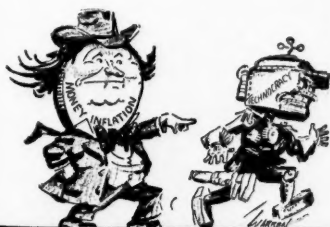
By Kirby, in the New York World-Telegram

"THAT'S WHAT I SAID IN NOVEMBER 8!"

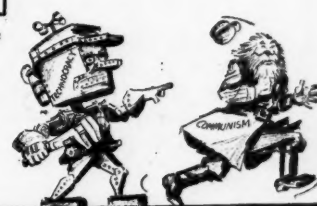


CHEER UP, all things come to him who waits.

By Hanny, in the Philadelphia Inquirer



PANACEAS COME ————— AND PANACEAS GO



By Warren, in the Philadelphia Public Ledger

MARCH, 1933

41



By Ireland, in the Columbus (Ohio) Dispatch
A GHOST REAPPEARS—SILVER REMONETIZATION
 The 16 to 1 dream of William Jennings Bryan
 rides again.



By Warren, in the Philadelphia Public Ledger
THAT OVERWORKED FARM
 The three plowmen are Local, State, and
 Federal revenue.



By Sykes, in the New York Evening Post
HOME AGAIN!



By Hanny, in the Philadelphia Inquirer
WHERE DOES HE GO FROM HERE?



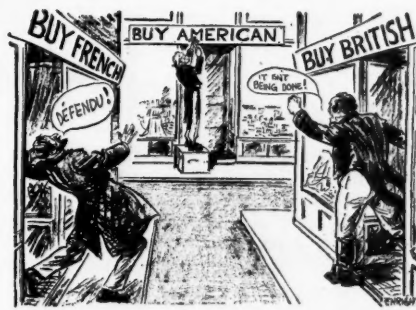
By Hutton, in the Los Angeles Daily News ©
AFTER WAITING FOR A NEW DEAL



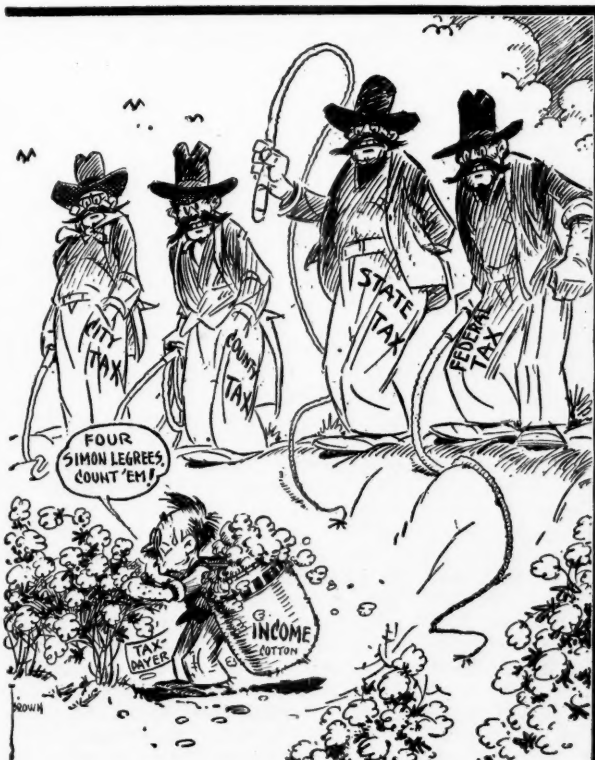
By Carlisle, in the Des Moines Register
ONCE IN A LIFETIME



By Thomas, in the Detroit News
THE IRONY OF FATE



By Enright, in the New York American ©
FOLLOWING THEIR EXAMPLE



By Brown, in the New York Herald Tribune ©
AND WE USED TO CRY OVER "UNCLE TOM"



By Hanny, in the Philadelphia Inquirer
LONG OVERDUE AT THAT

Gentleman from "Loosiana"

From the Congressional Record; from Mildred Adams in the Forum; and from Vanity Fair.

"SENATORS MAY LAUGH and sneer around here in the cloakrooms and corridors and want to know where we are going. . . . Here we have been in this session of Congress—how long have we been here this time? I could not tell unless I got my hotel bill. The house is burning down and we are not even fiddling. . . . Somebody wants a night session. We ought to stay here all night. If some of us would die, it might help things."

The preceding quotations, as well as the ones that follow, were selected from various parts of the recent filibuster speech in the Senate which was led by Huey Long, the gentleman from Louisiana. They are taken from the *Congressional Record*—Uncle Sam's newspaper.

The political spotlight has turned on Huey Long more than once before. He is one politician who needs no press agent to get him publicity. In his eight-day filibuster in the Senate—where a new member is expected to hold his tongue—he held the floor and the attention of the country, making the headlines in most of the newspapers and rubbing salt in the wounds of his opponents. Furthermore, his filibuster was successful since it achieved its desired result, the postponement of the Glass banking bill.

During the days that Mr. Long spoke, he covered a wide range of subjects, skipping from a summary of the downfall of Rome to the table manners of the Filipinos, from Shakespeare to Insull, from the Bible to behaviorism among his fellow-senators. To quote again:

"I hope I shall not have to run a kindergarten on this side of the chamber. . . . Every man who sits in the Senate and gets up and denounces France for the non-payment of her debts, and deplores the condition that this country has got into, ought first to kneel and ask the Lord for forgiveness for having been lured into that kind of net. . . . The first reform I would make would be to require every man in the United States Senate to farm one year and sit in the Senate the next. . . . I have sacrificed three hours' time here this morning. . . . I do not believe the Senator from Virginia if he understood this bill would be for it for a moment. . . . There is such a thing as courtesy belonging to the people. We do not ask for any courtesy. We ask for something to eat. We ask for something to wear. We do not care about the little formalisms and practices.



Louisiana's Kingfish
Huey P. Long

"It is no argument to say there are more little banks broke than big banks. . . . I am in a position to give the Senate some very enlightening information as to what is back of this bill besides the Senator from Virginia. . . . Hah! It is funny business that is going on in this country. Abel and Cain become the same man overnight in this kind of a situation. It is hard to identify them.

"Mr. President, I shall have to ask for a little bit better order in the Senate. . . . I do not know of anyone who has been told in the Senate, even against his own will, that the Senate desired to hear him as I have been here this evening."

The crux of the situation, and the reason for the filibuster, are given in the next quotation.

"Hurry! Hurry! Get this bill through quickly while you have somebody in the White House who will sign it. Hurry! . . . I am certainly glad that I have time enough to discuss these matters.

"I do not know what to think. I do not know what is going on in the country today. . . . I have passed beyond the period when I can ever again be surprised. . . . I pray for the health of us all, though I do not know but what the people would be better off if they sent somebody else here in the place of us.

"If anybody misses anything I say, I do not want to be responsible for it. [Laughter in the galleries.] The blame can not be charged to me. This bill ought to be permanently sidetracked. I venture to say that I am one of the few men in the Senate who has had financial advice on this bill. . . .

"The Senator will find it all written in the Bible. He can read all the lines of Shakespeare he wants to, but for every elegant line from Shakespeare I will show where he got it out of the Bible.

"I do not care whether or not they

[the Filipino people] are taught to make the fancy salads that are served on American tables. One does not know what is in them half the time. If they want an egg, let them fry it and eat it—if that is the way they want it.

"We have fiddled around here while Rome was burning; and on a one-string fiddle at that."

OUR YOUNG Senator from Louisiana can do more than lead successful filibusters. Commenting on the fact that he has become a person worth watching, Mildred Adams, in the *Forum*, discusses Huey the Great.

"He gets things done, and done quickly. With him, to think is to act. Demagogue he may be, evangelist of a dubious economy, the Billy Sunday of politics, a ranter and an exhorter, a hard-shell Baptist and a roaring good fellow all tied up in one bundle. But he does not make idle promises. He said he was going to reduce illiteracy in Louisiana and he did—it fell 9.4 per cent. in ten years. He said he was going to lift Louisiana traffic up out of the mire, and he started twelve bridges and 8500 miles of road.

"At the advanced age of twenty-five he made his entry into state politics by getting himself elected Railroad Commissioner. He had a way of marching on New York and demanding that railroad presidents be summoned from their Long Island estates on sacred Saturday mornings. 'Tell him Huey Long wants to see him,' he would roar at secretaries. 'And if he doesn't come hopping, by God I'll show him whether he's got any interest in Louisiana or not. I'll throw his damn railroad out of the state.' And

the joke of that story is that they came. "In 1930, after he had been Governor two years, he ran for the United States Senate. It was, he claimed, a test. If he was defeated, he would immediately resign as Governor and admit that the people did not longer want him in office. He was elected by an enormous majority, and for fourteen months more he stayed in Louisiana, withstanding the constant fire of an ambitious and embittered Lieutenant-Governor who desired to step into his shoes. Complaints about his holding two jobs were before the Senate, and the risk that he would lose his seat was too great. He put the state capitol and the executive mansion under martial law, and took the train for Washington. . . .

"For the nation, his greatest promise and his greatest menace lie in his proven ability to get things done. Would the Senator consider a Cabinet position if it were offered? 'No, sir!'

"No more worlds to conquer. He and Alexander in the same boat. 'Oh, but I'm smarter than Alexander! Now lemme tell you where that guy made his mistake. . . .'

ANOTHER ANGLE is found in *Vanity Fair*, in an amusing article which audits his account. On the debit side, written in red ink, we find the following items:

"His economic program, advanced in the Senate, would allow no man to have an income of more than a million dollars a year; this, while it may not seem a severe restriction, is nevertheless the first step toward the confiscation of private property.

"Disgusted with his party's conservative attitude on taxation, Long resigned from his Senate committees and was bitter when his resignation was accepted.

"He has ridden rough-shod over laws, precedents, and defied all the proprieties. When handed (as Governor) a copy of the State Constitution, he declared: 'I'm the Constitution of Louisiana just now.' Flouting the courtesies and formalities of diplomacy, he wore green silk pajamas when he received the braid-encrusted commander of a visiting German cruiser."

On the credit side, we find the following versatile virtues:

"He is a man of forceful and dynamic character: the Kingfish of Louisiana indeed. He is capable—a rare feat among politicians—of admitting that he is wrong. As an advocate of the increased use of cotton, the chief product of Louisiana, he lately has been a walking advertisement of cotton clothing.

"He has a prodigious capacity for hard work. As Governor he rarely allowed himself more than three or four hours' sleep a night. As a law student at Tulane University, he completed a three-year course and passed his bar examination in nine months. He is the author of the only constitutional history of Louisiana. He is not a pussy-footer. He says what he thinks, no matter how many enemies he makes in doing so. He laughs off criticism, and returns to confound his critics when a more opportune moment arrives."

International Army for the League of Nations?

By General von Seeckt in the *Berliner Monatshefte* (Berlin); and Wickham Steed and Pierre Viot in the *New Commonwealth* (London).

GENERAL HANS VON SEECKT is probably the greatest of German military experts. His views on disarmament, as proposed at Geneva, are set forth in the January *Berliner Monatshefte*. He is particularly concerned with the French plan for an international League of Nations army, which conception—as a confirmed nationalist—he disapproves as follows:

"The plan of an international army, as the means of executing the will of everyone, cannot from a purely military standpoint be accomplished. An army is the expression of a political purpose. This political purpose is, in the generally accepted sense, the state's purpose; and the army is therefore one of the aspects of the state. Consequently, in place of the state, some other conception of political will must be found for an international army, unless the army is to be left up in the air.

"So the objection must be made that the proposed League army would not be the executor of League policy, but rather that its task would be confined to bringing order in case of a breach of peace. In theory this is unconditionally to be accepted. In practice, there would occur differences of opinion over the breach

"The League army would, without doubt, stand for the accomplishment of an international idea. This idea is the assurance of peace; and if the army did not suffice for the maintenance of peace, then for the punishment of those who break the peace. For this idea someone must die. It would be hard to make it clear to a soldier, in the face of death, that this is necessary for the maintenance of peace. His home, his country, his people are not part of the League police action. But he must be ready to die. The League must be ready to buy its army and pay it well; then it will find men enough to sell their lives for money—for money, not for an idea.

"The French plan for a League army has for its distinct purpose the maintenance of the political and territorial *status quo*; it is a deepening and solidification of the Versailles treaty, and where it does make changes, it has in view the weakening of the treaty in favor of France. The political part of the plan would widen the guarantees of peace—in reality, enhance the security of France.

"The English plan differs from the French in that it recognizes Germany's desire for equal participation. But in spite of its recognition of equal rights from the German point of view, it is even more unfitting and dangerous than the French. It stipulates that Germany can make no use of its equal rights. It is a plan dictated by English interests alone.

"A third German plan must be drawn up against the French and English plans which will take from both certain admissible points. From the English, the recognition of German rights to equality; with the stipulation that Germany undertakes no armament so long as she is assured of the right, through qualitative and quantitative equality with the others, to armament strength within a reasonably stipulated time. From the French plan may be admitted the recognition of the possibility of changing section 5 of the Versailles treaty. The proposal to divide the army into a weakly-armed national militia and a specialized reserve force is admissible.

"A League army is not to be thought of. But a reserve force would retain its national character and stand at the disposal of its state. The Reichswehr must remain in a form and strength which guarantee its military availability for the assurance of the state's authority. The League's strength does not lie in weapons, but in the will to peace of its members. Here we have the basis for a plan which takes into account German interests. To develop isolation appears superfluous today. Whether unity can be attained from three such widely differing plans is questionable. If not, Germany will stand by these principles, and will wait."



From *Kladderadatsch* (Berlin)

Would France dominate an international army?

of peace itself and over the guilt for it. The determination of an attack and of the real aggressor is difficult. Since a breach of the peace is a political proceeding, complete objective agreement in a decision is to be expected, and all participating powers should set aside their own national interests. But if this does not happen, then the powers in the League serve their own purpose; and since a power always has friends, the international army serves the policy of this power.

THE French plan is more highly regarded by Wickham Steed, famous English publicist, in the *New Commonwealth* of London. Says Mr. Steed:

"A problem can never be solved unless its terms be correctly stated. The disarmament problem is no exception. Hitherto its terms have never been correctly stated by any British government, nor has its relationship to the larger problem of preventing war, as a step preliminary to the creation of peace, ever been accurately defined.

"The importance of the French disarmament plan lies, to my mind, in the fact that it is the first serious attempt correctly to state the terms of the disarmament problem. Its details are less weighty than its underlying principles. These principles govern the whole scheme and cannot be ignored.

"In my view, the only way to form an invincible international police force is to earmark as its elements the armed forces of all nations. This can be done by accepting the Pact of Paris as equivalent to the outlawry of war—and of lawless force—and by recognizing that the outlawry of war involves the outlawry of neutrality, since no legal right can flow from an unlawful enterprise.

"In the light of these principles the sole lawful function of national armaments is a police function. Those armaments become potential elements of an international police force, requiring co-ordination for the eventual service of the common law of an organized international community. The reduction of those armaments is then feasible, in proportion as the existence of this world-wide police force engenders a feeling of safety from war by weakening or destroying belief in the likelihood of successful international crime. How does the French disarmament plan, apart from its details, comply with these principles? By declaring that any and every war undertaken in breach of the Pact of Paris concerns every power, and shall be treated as failure to observe binding obligations which each has incurred; and that, in case of such failure or threat of failure, the other powers shall promptly concert together the measures to be taken, and, in particular, to forbid effectively all economic and financial relations, direct or indirect.

"In these provisions lies the true importance of the French scheme. They involve the renunciation of neutrality. The military proposals are accessory to the underlying principles, and are open to discussion and adjustment. The principles themselves are not."

PIERRE VIENOT, French parliamentarian, writes on the same subject in the *New Commonwealth*, as follows:

"France concedes the German claim for equality of juridical status in the disarmament conventions. Germany concedes that any disarmament of the countries still possessing full sovereignty in military matters must be accompanied by some strengthening of the security guarantees, in a word, that the voluntary renunciation by the various coun-

tries of their individual means of defence has to be compensated by an organization for collective defence.

"What are we to understand, however, by security, this principle for which France is so intent on obtaining recognition?

"Germany—hence her tenacity in resisting the French view—insists on seeing in it purely and simply an expedient for maintaining a European *status quo* which she herself refuses point-blank to accept as definitive. France, on the other hand, tends to assume that this refusal on the part of Germany is equivalent to a will to war. In such a context an agreement will indeed be very difficult to achieve, even if today agreement has been reached in a form of words for a common declaration. And yet the deeplying aspiration of the two peoples would most certainly effect an *entente* if their respective mental outlooks were not distorted, on the political plane, by the idea which each of them has got fixed into its head of its neighbour's intentions.

"On the day when the average Frenchman is assured that treaty revision is a factor of peace, he will be a supporter of it. And on the day when the average German is assured that the security which is the aim of the Frenchman has nothing in common with hegemony, he will be a supporter of it.

"BUT if Germany is to be deprived of the temptation to practise, when she has the means, an armaments policy—the only method in her eyes of paving the way to a revision of treaties—it is essential that the Germans should have at their disposal effective pacific means for achieving that revision; they must know, indeed, that the implementing of their means will not be hampered by the armed resistance of other countries.

"And if France is to be compelled to renounce the European *status quo*, the French must know that the necessary rectification in the treaties will not be provocative of war dangers.

"A combination—within the framework of an organization of peace—of treaty revision and an organization of security, that is the task to which we have to set our minds.

"Now England, of all the European states, is the one possessing the maximum amount of authority that would enable her to initiate this task. The governments must be led in this direction, and particularly the governments of France and Germany, over which the British government exercises so much influence.

"Only, let it be well understood by British opinion that in doing so England would not be intervening in a dispute, that she would not be supporting France against Germany, or Germany against France, but, on the contrary, that she would be setting her hand to a constructive and realist piece of work.

"The disarmament conference, which has now as the basis of its work agreement between Germany and the other powers, provides England with a supreme opportunity."

Back to Farming?

By Russell Lord, in Forum.

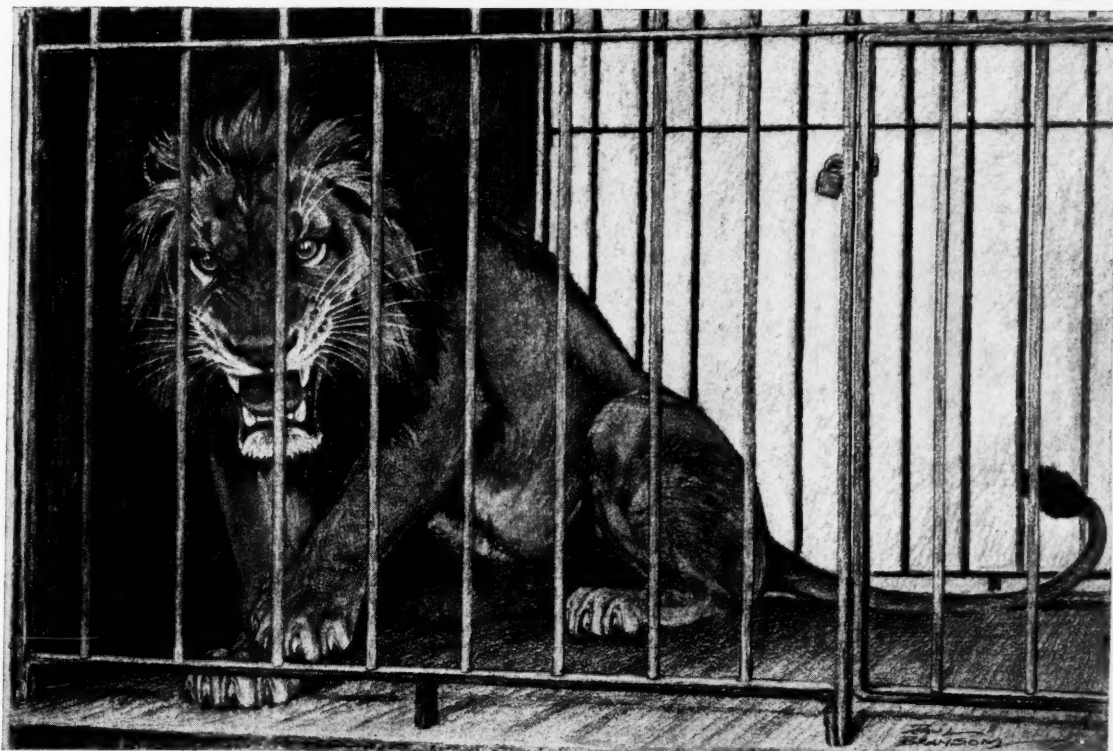
IN THESE DAYS of depression there is elaborate talk of back-to-the-farm movements. Unemployed city-dwellers look with longing on the broad rural acres whose furrows, theoretically, will furnish them a livelihood. Russell Lord, a leading American agricultural expert, analyzes the tendency—the will to farm—as follows, in the February *Forum*:

"The cards are stacked against a return to a handicraft agriculture. Iron hands and the merciless deflation which hit the farmer nine years ahead of the rest of the country have made farming less and less a business for the little man. Mechanization has reduced from three hours to three minutes the human labor required to grow a bushel of wheat. (This is at its utmost development, in the Rockefeller experiments with large tracts and forty-horse-power caterpillar tractors in Montana; but customarily, on any farm that buys a combine, one man thereafter does the work of five.) And so it is, in varying degree, with all kinds of farming. Slipping into the brush at the halts will not let any of us for long out of the march of progress. Even now, when hardly anyone believes in it, progress strides to the farthest corners of this great country, mechanizing, industrializing, suburbanizing everything and everybody; marking a new line of march; piping the tune. . . .

"I have spoken until now of the retreat to farming almost wholly as impelled by physical need and hunger. Obviously, that is not all that there is to it. Even in normal times a good many city families are moved to get out of the cities and go to farming, and it is doubtful if those who clear out now because they have to, exceed the number who make the move by choice. Anyone with money enough to buy and equip a farm nowadays, even with small down-payments, has money enough to stick it out in town for quite a while longer. There is, however, the feeling that in town both money and job go quickly, leaving nothing; that in the land lies, both as an investment and as a personal refuge, security; that farm life offers, in the place of doubt, weariness, and confusion, independence, rock-bottom meanings, health, and peace. In times of stress and fearful pinch such feelings, which are for the most part illusory, deepen. And there is a stout reassertion of the grand old pioneer impulse to walk out on civilization when civilization isn't working and get away from it all. . . .

"With electric power and high urban rentals tending to decentralize industry, with our massed way of life in cities becoming each year more unseemly and intolerable, with the shadow of wings clipping across the Corn Belt already at a speed which puts quarter-section farmsteads only six seconds apart, I believe that we shall resettle America, and make better use of our 1906 million acres; but less of all that land, rather than more, will be farmed; and fewer of us as time goes on will be farmers."

DIABETES—the Lion Caged



DIABETES, under control, might be likened to a safely caged lion. Out of control, it strikes with a lion's speed and crushing power.

The discovery of insulin and its application to the treatment of diabetes is one of the great triumphs of medical science. It has saved many thousands of lives.

Insulin has not only rescued children who would have been doomed without it, but it has enabled them to grow and to live the normal, healthy lives of their playfellows. It has lifted chronic diabetics out of the invalid class, making it possible for them to carry on industrious, useful careers.

Before this great discovery, a victim of diabetes was forced to adhere strictly to a wearing and often spirit-breaking diet—if he would live. Suffering from a constant and almost unbearable craving for rich food and sweets, he struggled to obey his doctor's orders—"No starches, no sugars." The dining room was a dreary place for a diabetic.



What a contrast between the old, half-starved, hopeless days and the present time when the majority of diabetics are allowed many of the things they like to eat. A goodly percentage of them will live out the expected span of life for their ages.

Diabetes is by far most frequent among overweight persons. It may be largely prevented by correct diet and proper exercise. New cases of diabetes appear with almost mathematical regularity—tens of thousands each year in this country. But a person who showed no trace of the disease last year and now finds unmistakable symptoms has little cause for anxiety. In all probability his case can be fully controlled by proper diet, exercise and the use of insulin.

Still a grave danger remains. Insulin has such a tonic effect on a diabetic that he sometimes makes the mistake of regarding himself as cured. He must be reminded that if he lets his lion, Diabetes, get out of control he runs a risk which may be fatal. As long as he keeps his lion caged he is safe.

METROPOLITAN LIFE INSURANCE COMPANY

FREDERICK H. ECKER, PRESIDENT

ONE MADISON AVE., NEW YORK, N. Y.

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FACTS and TRENDS in FINANCE and BUSINESS

o o o As Seen Through Our Roaming Periscope o o o

About That Mortgage

WHEN THE Hoover moratorium was declared, almost two years ago, one began to hear pleasantries about the desirability of similar relief in the matter of private debts. A moratorium with the grocer or butcher was the favorite suggestion. Now we have "suspension" of the foreclosure of mortgages on farm properties, particularly in Iowa.

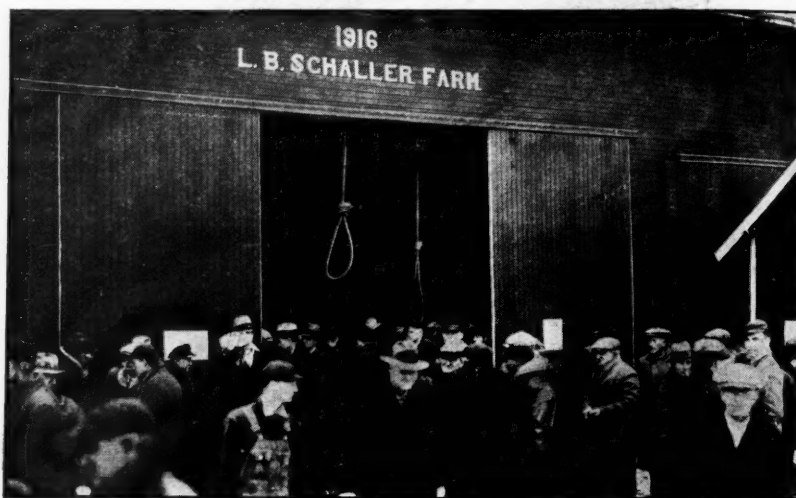
It happens that the farmers of the country, when optimism ran high, borrowed money for one purpose or another and gave their farms as security. Perhaps they used the money to buy a neighboring farm, to erect a better barn, to buy labor-saving machinery, to get a new automobile, or to send children to college.

Most of the money came from life insurance companies. Eighteen of the leading life insurance companies even now hold farm mortgages amounting to \$1,692,000,000. Prudential, for example, is said to have more than \$200,000,000 invested in mortgages on 37,000 farms throughout the country. Northwestern Mutual, Milwaukee, has an even larger amount so invested.

Obviously the farmers themselves, still the backbone of the nation, will have little sympathy with a movement that looks merely to repudiation of any part of this debt. They want a breathing spell only. The mortgage companies generally have been following the policy of handling individual cases, and extending leniency where examination indicates that a farmer, living on his farm, is honestly attempting to work out his problem.

Auction sales of farm property, to satisfy foreclosed mortgages and unpaid taxes, have attracted widespread attention in recent weeks, especially in Iowa and Nebraska. Public opinion in surrounding neighborhoods, expressed in one way or another, has succeeded in rescuing harassed farmers in hundreds of instances. Sheriffs have been defied; outside bidders have been intimidated; even the county courts have joined the movement, postponing cases for as long as a year or refusing to confirm foreclosure sales.

But half of our people live in cities. The farmer who loses his home is no more to be pitied than the city-dweller in similar circumstances. If farm prices have fallen off by half, the wages of millions of office workers and factory hands have entirely disappeared. What shall be done for them, when mortgage interest or principal comes due?



A GRIM WARNING TO OUTSIDERS NOT TO BID

Neighbors bought the cows, horses, and implements here sold at auction (in Ohio) to satisfy an \$800 mortgage. They made five and six-cent bids, for a total of \$1.90; and then declined to take the property away.

In New York City, largest and wealthiest city in the world, a Realty Stabilization Corporation was formed in the middle of February. Its president is William Church Osborn, and among its directors is Owen D. Young. The object of this agency is to plan in advance for the readjustment of mortgages on New York City real estate, amounting to eight billion dollars. Rents have declined, there are many vacancies, and it becomes increasingly difficult for owners to meet high taxes and interest rates that belong only to a boom era.

The Realty Stabilization Corporation will foster a movement to obtain concessions from lenders, especially a lowering of interest rates. Most home owners in the metropolis pay 6 per cent. interest now, and business property pays perhaps 5 per cent. on the average. It is hoped that a new rate of 4 per cent. can be achieved. Savings banks, heavy lenders on real estate, have already readjusted interest rates which they pay to depositors (from $4\frac{1}{2}$ per cent. down to 3); and they may be expected to play fair with interest rates which they charge. So also will life insurance companies. The real problem is that of the so-called guaranteed mortgage, originating in mortgage companies but widely sold to the public as an investment.

Where shall the line be drawn? Many of those who can't pay now are the same who have been wasteful and improvident. Shall we now penalize the thrifty man?

A Sales Tax at Work

MISSISSIPPI'S Tax Commissioner, A. H. Stone, has sent us a copy of a pamphlet report prepared under his direction which sets forth with a wealth

of detail the financial results of the first six months of the state's sales tax. Readers will remember that Governor Sennett Conner wrote about this sales tax in our issue for October 1932. When in New York last summer Governor Conner had told us that he would not have wished to accept responsibility for administering the new tax if he had failed in his effort to persuade Mr. Stone to accept the office of Chairman of the State Tax Commission.

A study of this report makes it easy to understand the Governor's compliment. Mr. Stone has recognized his obligation not merely to the lawmakers and voters of his state but to a group vastly larger who have been watching the Mississippi experiment. He reports upon revenues passing through his office by months, by counties and by groups (public utilities, shoe stores, tombstone makers, etc.). A useful feature in every case is the statement of revenue upon a per capita basis, and of the gross sales which the tax revenues indicate.

Mississippi's sales tax in its first half-year, from May 1 to October 31, 1932, yielded \$1,173,721 at an administration expense of less than 4 cents for every dollar collected. Every month except one showed a gain in revenue over the preceding month; which might indicate increasing familiarity with the law on the part of taxpayers, or growing alertness of the tax-gatherer, or an improvement in business. At its peak, in October, the sales tax was producing in excess of estimates—and it took from the people that month 13 cents per capita; 2 cents a day, let us say, for a family of five persons.

Mr. Stone finds that his general merchandise group (department stores, dry-goods, five-and-ten, and the like) brought in more than a fourth of the revenue. The food group, including

restaurants, came next. Automobile dealers, garages, and filling stations were third in importance.

Retail sales yielded 80 per cent. of the revenue, manufactures accounted for 5 per cent., wholesale business for 3 per cent., personal service (physicians for example) for less than 2 per cent., and public utilities for more than 9 per cent. The rate of tax on retail sales is 2 per cent. On wholesale transactions it is only one-eighth of 1 per cent.

Mr. Stone has prepared his pamphlet for the student as well as for the taxpayer. It may be accepted with confidence by economists and statisticians, he assures us, though he warns against lasting conclusions until he is able to report upon a full year's observation.

A year's revenue from Mississippi's sales tax may approximate \$2,500,000. From a distance it seems to be painless. What it means, to the credit of the state, is reflected in a sale of Mississippi bonds in mid-February which proved to be quite the sensation in this year's municipal bond market.

Other southern states may copy Mississippi's example at this winter's legislative sessions. So their interest indicates.

Stockholders' Responsibility

OUR BIGGEST bank failure was that of the Bank of United States (in New York City), which closed its doors in December 1930. Nearly two hundred millions were on deposit. In that failure, more than in some later ones, there was evidence of mismanagement.

Attempting to liquidate the closed institution, the State Superintendent of Banks, Joseph A. Broderick, brought suit last month to collect \$25 per share from each stockholder, as an assessment. An earlier suit is bringing in money from the bank's directors.

Eighteen thousand stockholders were named as defendants in a single action brought in the Supreme Court of the state. How many of these had even faintly realized that a bank's stockholders are responsible for deposits?

Economy?

CONGRESS last month proposed to reduce still further (by 5 per cent.) all administrative appropriations. Applied to the Navy, Secretary Adams declared that saving 15 million dollars would cripple our national defense for years, and add 14,650 persons to the unemployed. A thousand millions a year for veterans of a recent war. An invitation to a new war to save fifteen millions.

• • A JUDGE of the Family Court in New York City discovered last month that summonses were not being mailed to delinquent alimony-payers. His postage allotment, reduced as a measure of economy, failed to provide sufficient stamps. Instead, warrants were being issued, arrests were being made for failure to attend court, and persons were being lodged and fed at the city's expense. A three-cent postage stamp was saved in each case.

Loree on Top Again

THE FINANCIAL world is watching for indications of the new influence that Leonor F. Loree will exercise upon railroad map-making. Carefully laid plans of the Interstate Commerce Commission and existing trunk lines in the East, looking toward railroad consolidation, had ignored the veteran president and his 900-mile railroad. Instead of retiring gracefully, Mr. Loree quietly bought a 10 per cent. interest in the 11,000-mile New York Central system.

He had been defeated before, five years ago, after he had acquired virtual control of the Lehigh Valley and the Wabash; but in his defeat he had disposed of that control for \$60,000,000, somewhere near the high point in the stock market. A third of that sum might have been profit. Ever since then the

railroad and investing fraternities have been wondering what President Loree would do with that money lying in the coffers of the Delaware & Hudson.

The formal announcement gave few details, but it is understood that approximately 500,000 shares of New York Central were bought, at an average price of \$20, requiring the use of \$10,000,000. The same block of stock in 1928, when Mr. Loree sold his Lehigh Valley and Wabash, would have cost eight or nine times as much.

He may achieve success in his effort to weave the Delaware & Hudson into a trunk system; but the prospects are even better that his road will profit a second time from the investment sagacity of its president. The first thing (subject to approval of the Interstate Commerce Commission) is a seat for Mr. Loree on the New York Central board.

Leonor F. Loree is in his seventy-fifth year. He was graduated in engineering

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at Rutgers in 1877, and immediately entered upon a railroad career with the Pennsylvania system. More than thirty years ago he was made president of the Baltimore & Ohio, then of the Rock Island, and finally (in 1907) of the Delaware & Hudson.

Tobacco: A Story of Big Business

Continued from page 34

At the moment of dissolution the stockholders of all the companies were identical, but in the twenty-two years that have elapsed that common interest not only has disappeared but the respective managements of these heirs of the old trust exhibit in their public advertising the most intense kind of competition known to the business world.

The new American Tobacco Company ("new" since 1911) has grown to be the largest unit in the tobacco business in point of assets and profits. Its principal money-maker is the Lucky Strike cigarette, probably the largest selling brand in the world; and it also controls by lease a number of the higher priced cigarettes, such as Pall Mall and Melachrino. The company distributed to its stockholders 2 shares for 1 in 1924, and again 2 shares for 1 in 1930. Thus the veteran stockholder has four shares for every one he owned nine years ago, each of which paid him \$6 in 1931 and in 1932. The company's profit in 1929 was 30 million dollars; in 1931 it was 46 million. Its 1932 report, to be published in March, is expected to show 40 to 42 million profit.

Second among the Big Four in point of earnings and dividends is the R. J. Reynolds Tobacco Company, of Winston-Salem in North Carolina. Its principal money-maker is the Camel cigarette, which was the first successful blended cigarette. Another favorite is its Prince Albert smoking tobacco. Here also the veteran stockholder has been fortunate. He received 3 shares for 1 in 1920; 4 shares for the 3 in 1922; 5 shares for the 4 in 1927; and 2½ for each of the 5 shares in 1928. Thus he owns 12½ shares for every one held in 1920; and each of his present shares pays him \$3 annually. The company's profit in 1930 was 34 million dollars; 36 million in 1931, and 33½ million in 1932.

Third among the Big Four is the Liggett & Myers Tobacco Company. Its principal cigarette is Chesterfield, which is more than holding its own in popularity. Other well-known brands are Fatima and Piedmont. Velvet and Granger are its best-known brands of smoking tobacco. The stockholder of 1923 was given 4 shares for 1; and there have been three subsequent opportunities to subscribe for new shares at favorable prices. This company's profit in the peak year 1930 was 24 million dollars; in 1931 and 1932 it was 23 million.

Fourth and last among the Big Four is the P. Lorillard Company, makers of Old Gold, Murad, Mogul, Egyptian Dieties, Turkish Trophies, and Helmar cigarettes; Between the Acts, Royal Bengal, and Le Roy little cigars; Muriel and Rocky Ford cigars, as well as smoking and chewing tobacco. Lorillard

A career of active railroading is thus combined with an ability to meet Wall Street on even terms. Watch L. F. Loree and what he does with an interest in the New York Central system that is twice as large as the known interests of the Vanderbilts.

gave its stockholders 4 shares for 1 in 1923 and 8 shares for the 4 in 1929. From 1912 to 1926 the company paid generous dividends, but profits have been slim in recent years. Dividends omitted in 1927 (when Old Gold was launched) were restored at 30 cents quarterly early in 1932.

The tobacco industry has been rich in personalities since the days when the Duke brothers began to make a pipe tobacco at Durham, North Carolina, shortly after the Civil War, and later developed machines for cigarettes. It was James B. Duke who formed the original American Tobacco Company in 1890, after a disastrous price war which he had initiated. For twenty years there was comparative peace and huge profits, until the Government smashed the Trust in 1911.

A year after the break-up James B. Duke relinquished the presidency of the new American Tobacco Company to Percival S. Hill, who had grown up in the business; and in 1925 George Washington Hill succeeded his father in that office. The younger Hill had entered the employ of the American Tobacco Company in 1904, upon graduation from Williams College. To him more than to any other person is given credit for the extraordinary business success of the cigarette industry today, a million-dollar executive still in his forties. He is the personification of belief in the value of advertising.

Down at Winston-Salem there is another young president, Samuel Clay Williams, also in his forties, an outstanding example of the lawyer turned into executive. He became associated with the R. J. Reynolds Tobacco Company as assistant general counsel in 1917, and advanced through other offices to that of president in 1931. He is North Carolina born, a graduate of Davidson College in that state, and earned his law degree at the University of Virginia. Backing him up in the promotion of Camel cigarettes are William N. Reynolds as chairman of the executive committee and Bowman Gray as chairman of the board.

Clinton W. Toms, president of Liggett & Myers, began his career in North Carolina as a teacher. He was brought into the old American Tobacco Company by his friends the Dukes, whose interest in education was second only to their interest in tobacco manufacturing. He was a leading vice-president of Liggett & Myers until he succeeded Caleb C. Dula in the presidency.

Benjamin Lloyd Belt, president of Lorillard, had been considered one of the ablest managers of cigarette sales in the old company when it was disintegrated. He was then made vice-president of the Lorillard Company, in charge of sales; and some years back he succeeded Thomas J. Maloney as president.

Unemployment Insurance

Continued from page 31

scope of this discussion, but it would not be out of place to suggest that there must be a reasonable and proper limitation for continuous and satisfactory service as a condition for eligibility, in order that the plan may be limited to the stable and permanent working force. Otherwise the danger is run of having the fit take care of the unfit. The problem of the unemployable is a separate problem in itself, which should be isolated and which emphatically should not be allowed to complicate any plan of setting up unemployment reserves.

I would like to review and condense our main thesis:

To abandon, as one of our main objectives, protection against unemployment during prosperous times is a revolutionary suggestion and will perhaps shock some of those who have been worthy pioneers in advocating unemployment protection. For it has been assumed by most proponents of unemployment insurance that a very important objective would be the mitigation of seasonal and technological unemployment. Yet, if the foregoing analysis is correct, to overstress this aspect of relieving good-times unemployment would seem to be incompatible with retaining the very large reserves that would be necessary adequately to meet the serious cyclical depressions.

The alleviation of hard-times unemployment is essential. The alleviation of the constant fair-weather, seasonal, and technological unemployment may be useful but is non-essential. The danger is that the non-essential may drain the essential, and fritter away our reserves. Therefore a long waiting period is important. It is a matter of balancing one advantage against another. We cannot afford to sacrifice an essential for a non-essential.

There is an additional benefit in concentrating our efforts upon the alleviation of hard-times unemployment and providing a long waiting period for this purpose. During a period of intense cyclical unemployment, the hindering of mobility is not as great a social or economic danger; and there is generally not as much danger of malingering. It is much more important to preserve the incentive of the individual to keep looking for a new job during prosperous times, when jobs are available, than it is during periods of depression when jobs are scarce.

There is no phase of social legislation in which sharply defining our objectives is as important as it is in this attempt to ameliorate the distress of unemployment. We must clarify our minds, and determine exactly in what direction we are going. Then we can be courageous without being foolhardy.

This article setting forth some principles of unemployment reserve legislation is published by arrangement with Mr. Lewisohn and the American Management Association.

Railway Regulation in Practice

Continued from page 28

No advantage is obtained by the intermediate cities and regions which cannot avail themselves of the water routes. On the contrary, they tend to lose because, deprived of the through business, the railroads by which they are exclusively served are less prosperous and must rely more completely for revenues upon the intermediate traffic.

Thus the federal government, at taxpayers' expense, has created a great competitive agency. It has deprived the railroads of opportunity to compete with that agency. It has put in operation rates to the ports that discriminate against the intermediate regions, in precisely the way that the railroads are prevented from discriminating. Much of the diverted tonnage is moved less efficiently, and at greater actual cost, than it would be were the former privilege of fair competition restored to the railroads.

It would be possible to extend the enumeration of burdensome and useless restrictions much further. Compulsory distortion of accounts has just now resulted in an appearance of a heavy deficit for the leading carriers, as a group. If some \$200,000,000 charged for depreciation, but not expended, were not included in expenses, the balance would be on the other side. The year was bad enough when its results are accurately measured and stated; it ought not to be made to seem worse by an accounting fiction.

Carriers are closely restricted as to their methods of financing, as to those who may serve as their officers and directors, and in the purchase of fuel and supplies. They may not keep any accounts, or even "memoranda" of operations or of receipts or expenses, that are not approved by federal authority. They may be, and have been, forced to record as non-carrier property, in their books and balance sheets, mining property, bought and used exclusively to supply fuel for their locomotives. It would be difficult indeed to show any public gain by these rigorous restrictions; it would be easy to show how they have impaired efficiency, created wastes and reduced the initiative of officers.

The inquiry is not whether these regulations were sound in their inception. No doubt there were evils to be corrected, although the account is commonly grossly exaggerated. But the time is new and so are its conditions. Competition in transportation is everywhere; water routes, improved at public expense; boat lines, financed out of the public treasury; highways, provided through taxation; motor vehicles for passengers and freight and subject to no federal regulation; air-lines subsidized through the Post Office Department; all these agencies have destroyed any need that can ever have existed for such rigid control and they have made such control, in many of its aspects, a penalty too heavy to be supported by the railroads which have been and remain its sole objects and its victims.

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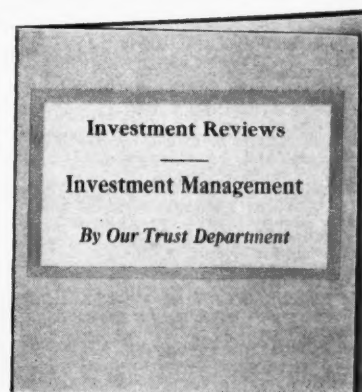
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"I hold Consolidated Gas of N. Y. deb. bond 5 1/2 bought at 106 1/2. If any of the proposed inflation measures is enacted by Congress, will this security take a severe drop? Would you recommend a shift to high-class stocks? Will not National Biscuit (bought at 39 3/8) enjoy a decided rise due to the fact that it is an equity in a company rather than of particular value. Does the fact that this stock has a par value have any influence on how it would be affected by an inflation measure?"

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America Needs Stable Money

Continued from page 26

making actual gold coin the basis of our currency, some such plan as that of Dr. Irving Fisher of Yale could be adopted. Gold bullion could be stored in the United States Treasury and certificates issued against it (just as in the case of our silver certificate dollar bills in general use), saying in effect: "This Certifies that there has been deposited in the Treasury of the United States gold bullion equal in average purchasing power to that of One Gold Dollar in 1920-30," etc.

The French plan of redeeming such certificates only in gold bars in a value aggregating about \$11,000 could be adopted. And Congress could levy a maximum "excess profits" tax on creditors who demand payment in gold dollars of former weight and fineness, or in some way prevent such extortion—on the valid ground that this policy calls for the repayment of greater values than the debtor received.

SOMEHOW or other some plan for stabilizing the dollar must be effected. It is necessary in order to secure a just settlement—or in fact, any real settlement at all—of America's present crushing burden of public and private debt. It is necessary in order to alleviate present disorders in foreign exchange. It is necessary in order that creditors who lend, as well as debtors who borrow, shall know what actual values—in goods or real purchasing power—will be given or received when pay-time comes.

Cautious creditors now specify that debts shall be payable in gold dollars "of present standard and weight and fineness"—with the result that this may mean anywhere from 64.8 cents to \$1.63 in purchasing power, as it has meant in the last sixteen years, and thus affords no genuine protection even to creditors. But with the adoption of the commodity index dollar, creditors could make sure of a settlement fair alike to borrower and lender by specifying in the contract: "If the value of the dollar as determined by the aforementioned commodity price index is hereafter increased or decreased by Congressional action, then the amount of this loan in dollars shall be correspondingly increased or decreased." Both borrower and lender would in this way be safeguarded.

It is indeed gratifying that at last American agriculture seems sufficiently conservative, and American business sufficiently progressive, to unite in a demand for genuinely stable money. After the tragic experiences America has just been through, all commerce will lag, all business will halt, all enterprise will be frightened, all development on the farm and in business will be checked, if every man must make future plans with no assurance as to whether the dollar at pay-time will be worth 50 cents, \$1, \$1.50, or \$2 in commodity values. It is a problem that must and can be solved.

Higher Education

Continued from page 35

kind of scholarly and professional work in a scholarly and professional atmosphere. Faculty and students should be chosen with this object in view.

The advantage of this type of organization is that it clarifies the function of each unit in the educational system for the public and for ourselves. The activities of each unit can then be tested by its performance in the light of its own ideals. At present the last two years of most high schools overlap and duplicate the first two years of most colleges. Professional work and general education are hopelessly intermingled in most colleges, even from the first day of freshman year. The function of the university is obscured by its collegiate responsibilities and its collegiate climate. The last two years of college approach more nearly graduate work than they do the first two years of college. The first two years of college approximate more nearly the last two years of high school than they do the last two years of college.

And to this whole confusing scene the junior college adds confusion still. An unsatisfactory unit, since half its students graduate every year, it has been compelled either to give two years more of high school or an imitation of the first two years at the state university. The 450 junior colleges in the country are now artificially separated from their natural associations in the last two years of high school; the standardizing agencies require this separation. The possibilities for rational organization, integration, and economy that would result from permitting them to come together are so great that such permission cannot be long delayed.

Such permission when it is granted should not mean the extension of the high school into the college; it should mean the extension of the college into the high school. It should give us an institution comparable to the German gymnasium or the French lycee, where the most highly trained teachers and the most rigorous intellectual standards are required. Control by the college of the last two years of the high school should guarantee this result. In this way a real college, doing work truly collegiate, might appear in this country. At the same time a real university, doing work of truly university character, might also develop.

With a six-year elementary school, with a three- or four-year secondary school, with a three- or four-year college devoted to general education (paralleled by three- or four-year institutions giving various types of technical education), with the university beginning at the opening of junior year, we have a simple and coherent organization that will be understood and supported and that will give to American youth the kind of education which our civilization demands. It is the task of universities to lend their prestige and intelligence to the advancement of some such comprehensive program to the end that education and scholarship may flourish still to light and guide our people.

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Cancellation or Repudiation

Continued from page 21

compel continued payments is also unfounded, because the British have come to the stark decision that they cannot pay more and that any attempt to do so would accentuate their own depression and the general world paralysis.

HERE is the state of fact. And, regard being had for American and British opinion, it seems impossible that there should be any other outcome than a general default in June. It is just conceivable that Congress might permit a new moratorium, if negotiations were still in progress on the due date. But that is unlikely, both because of the state of mind in political circles and because the irreconcilability of the British and American points of view is bound to be clear long before that time.

Default in June, however, means an indefinite postponement of the proposed World Economic Conference. But while this will be generally regarded as a calamity, it seems to me such judgment is unfounded, for until there is a basis for agreement about debts nothing can be done internationally. Only when debts are settled can the Lausanne agreements become definitive, and until such time all else is unimportant. Political questions must be disposed of before economic issues are approached, and debts and reparations are political issues of the first magnitude.

I am not attempting here to reopen the debate over the moral aspects or the material factors in the debt dispute. Once it is accepted that the debtors are resolved not to pay—as is the case today—then there is only the question of what course American policy will take in the face of unmistakable fact. That is where we are now. Nothing can happen in this country until the American public is satisfied that Europe will not pay and cannot be made to pay. Only default will establish this fact, and thus enable Congress to regain its freedom of action. Because, from the point of view of domestic opinion, Congressional consent to cancellation would be suicidal for the statesmen on Capitol Hill. They cannot consent. But once default has taken place, they will confront a state of facts which will be plain to their constituents.

BRITISH policy in the matter, since our election, seems to me to have been blundering and not quite frank. What the British desired at all times was the benefit of cancellation without the penalties of default. And they deceived themselves into the belief that they could get both at once. As a result, the December payment defeated their own aims and was inconsistent with their real purpose. They were actually in full agreement with the French. Their payment was only a tactical operation designed to placate American public opinion, to gild the pill of cancellation which they resolved to offer our new Administration.

Now they are destined to pay for their

blunder. For American opinion, having celebrated British virtue as contrasted with French vice, today discovers that the sole difference between the two countries was that they were moving toward the same end by different routes—and are today completely united so far as further steps are concerned. All the fantastic Washington ideas of breaking up a European "cabal" of French making have been exposed by the Chamberlain speeches. In the matter of the debts, and because of the Lausanne agreements, Britain and France are indissolubly united. Although Mr. Roosevelt may talk with British and French statesmen separately, it will only be to hear the same proposals from both.

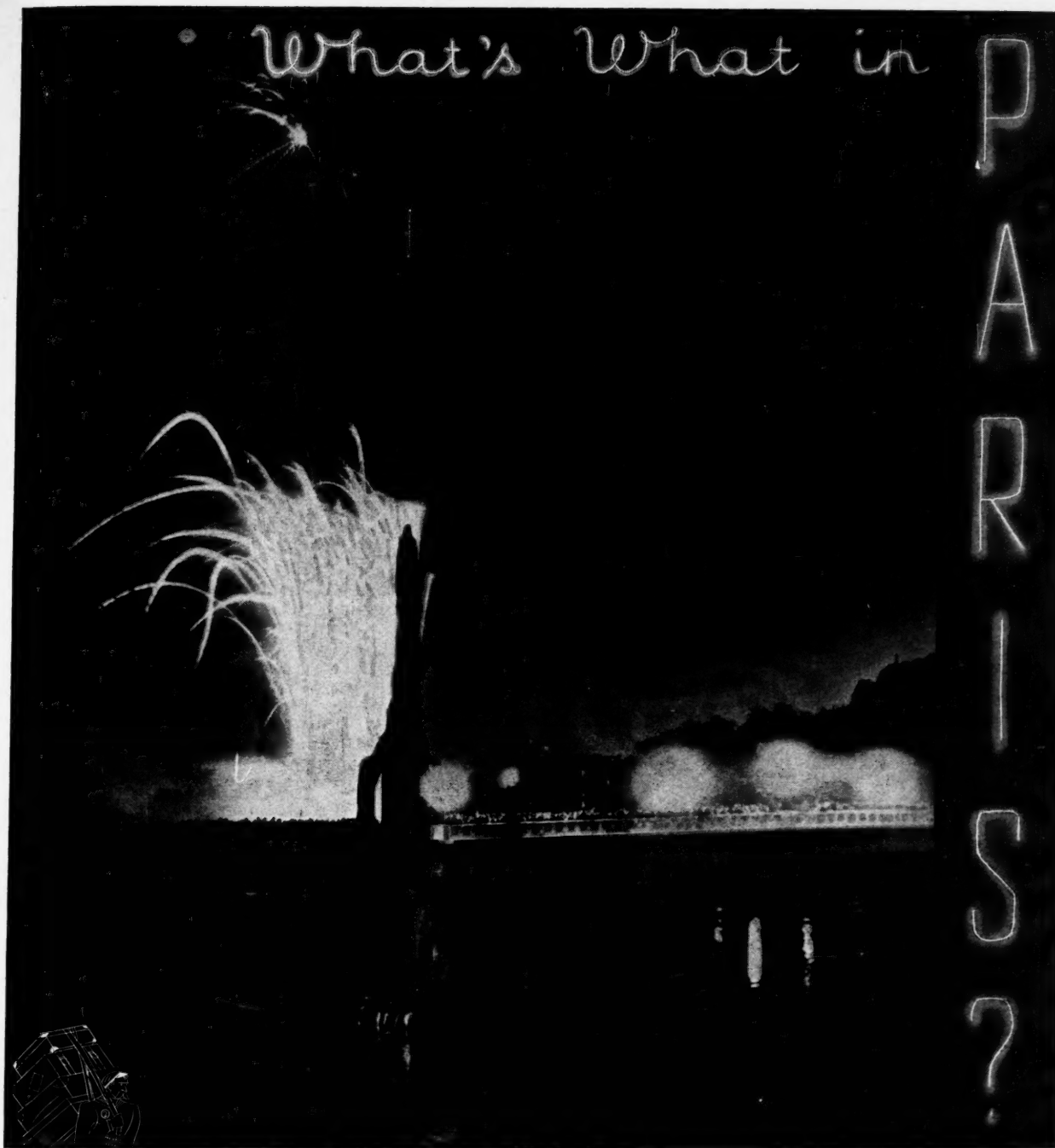
Allied debts are as dead as Fenian bonds or Confederate securities. Any debt discussion will be over the recovery of an equity of no more imposing proportions than the unlucky stockholders of Krueger & Toll can now expect. The European nations have repudiated in their own minds, and are simply waiting for their governments to give effect to that repudiation in their negotiations with Washington. To believe that there is still a possibility for trading or "swapping" is foolish. After what Neville Chamberlain has said publicly, his government is bound fast. It would be just as easy now for Mr. Chamberlain to advocate payment as for Senator Hiram Johnson to propose cancellation—and no easier.

SOME OF MY READERS may remember that three years ago, just before the Five-Power Conference in London, the French government put forth a statement of its purposes. From that moment it became clear that there could be no five-power agreement because there was not the smallest chance of American, British, or Italian acceptance of the French theses. Yet in Washington there was a conviction that the French were only talking for bargaining purposes, and would "come around."

Governments, however, cannot commit themselves publicly and uncompromisingly, and then in secret negotiations abandon their positions. A successful conference must be preceded by a reconciliation of national purposes, and an absence of public confrontation of these purposes. Otherwise the governments which consent to concessions are almost sure to be repudiated at home. Chamberlain has pledged his government not to agree to pay more, to make no tariff concessions, nor to consider a return to the gold standard. He and his associates in the MacDonald cabinet will now have to stand or fall by that pledge. If the American choice is between cancellation and repudiation, the British is now between default abroad and disaster at home. And the British government has made its choice. After all, His Majesty's ministers are constitutionally responsible to the *Populus Britannicus* and not to our Uncle Samuel. They must serve their voting public.

What's What in

P
A
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Bastille-Day fireworks, from le Ponte de la Tournelle, Paris

Irst the top of the Eiffel Tower, and then the white domes of *Sacre Coeur* come into view from the boat-train. Whether you are seeing them for the first or the twenty-first time, they present the same question: What is new on those ever-changing, "glittering boulevards . . . of fair fantastic Paris?"

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The Railroads Consider Comfort

RAILROADS, contrary to popular belief, are not marking time during the depression. Expenditures have been cut; they could not have been held at previous high levels without needlessly jeopardizing the financial condition of these custodians of great wealth. But the railroads have not stopped efforts to make travel more pleasant and more comfortable.

If family budgets are to continue to include an appropriation for sightseeing and vacation, travel must be made more attractive. Especially is this true of western railroads. It is easy for a traveler to develop a critical attitude during a long journey across desert and mountains. The western systems are determined to make fault-finding difficult.

The basis of comfortable railway travel is a well laid and carefully maintained roadbed. For years the roads have experimented with different types, always seeking to increase comfort on long, fast journeys. Crews are constantly at work along the right-of-way, seeing that rails are held fast in place and that passage from one rail to the next can be made with a minimum of jolting. The cinder or gravel surface is smoothed and hardened. Eagle eyes search out loose ties, replacing them with firm ones. Long miles of embankments are carefully examined to see that storm damages are promptly remedied.

Human eyes are not entrusted with the whole responsibility. Every road has a track-indicator car, whose whole life is spent touring from one end of the

line to the other. Its precision instruments are so carefully adjusted that the location of every bump over which the car passes is accurately recorded. When it finds a particularly noticeable bump—and the chances are that it is quicker to complain than passengers—word is flashed to the nearest track crew. It is their job to see that neither passenger nor the track-indicator shall have further cause for complaint.

The steel rails themselves are under perpetual study. Not long ago a rail weighing 90 pounds per yard was standard. It was found that a heavier rail enhanced comfort and safety by its greater resistance to bending and breaking. A rail weighing 100 pounds per yard crept into use; then one weighing 130 pounds; and now one railroad has inaugurated the use of 142-pound rails.

Thus credit for new comfort must be given to the roadbeds. Equal credit is due to the cars themselves. When roller bearings were made a part of the regular equipment of a transcontinental train, a new era of travel comfort was begun. The last bump and jolt was in sight.

Roller bearings on each of a car's twelve wheels eliminate the grating, wearing effect of sustained friction. Cars as well as passengers benefit, for the wear and tear on each is immeasurably reduced. Car life is lengthened; hot boxes—formerly the cause of delayed trains and wasted money—have gone. A train equipped with roller bearings requires one-seventh less energy to be started; and its complete run is

made with a fuel saving ranging from 7 to 14 per cent.

Once upon a time no train could be started without a long series of violent jerks. Now friction buffers at the end of each car eliminate that trouble. They weld the cars into a single unit, which glides forward without giving or taking up shock between cars. Wherever the body rests on the chassis, heavy rubber pads reduce the transmission of unevenness in the track. The ends of springs are laid in rubber.

SLEEPING accommodations have been improved. Some trains carry compartment cars in which the berths have been eliminated in favor of regulation beds. The new type regulation Pullman berth has finer springs and mattresses. The occupant of an upper berth can now stand as he dresses.

As a result of these developments, travelers are assured nights of sleep unbroken by bumps and jars. Gone are the difficulties of navigating through lurching cars by day. You walk as straight and easily as in your own living room. In the dining car your soup is unruffled by its fifty-mile-an-hour dash into the distance.

This new regime of comfort provides improvements in the two accepted ways of providing meals: in the newest type dining cars, or by making provision for passengers to leave the train and eat at station restaurants. The Atchison, Topeka & Santa Fe advocates the station restaurant. In coöperation with the

Fred Harvey system of hotels and restaurants, this railroad schedules its trains so that a stop is made when meal-time comes. Other railroads believe that passengers would rather have their meals on the train. In the long journey from Chicago to the Pacific there would be time to tire of dining-car fare if widely varying menus were not provided. Food is kept in new type electric refrigerators; it is cooked on electric stoves. Current for all the train's electric appliances is produced in each car by an axle-driven dynamo.

TRAVELING on the Chicago, Milwaukee, St. Paul & Pacific, passengers ride on the world's longest continuous electrified railway. For 656 miles, over four mountain ranges, this train forges forward—quietly, smoothly, cleanly. The Great Northern has also turned to electricity in its mountain work, at intervals substituting oil-burning engines. Electricity has been these lines' solution for the problem of improving locomotives. Power is supplied by frequent generating stations along the right of way. Other lines are experimenting with electric engines which use oil-driven dynamos to manufacture their own power, making them independent of power stations and transmission lines. Steam locomotives have been made heavier, longer, and more powerful.

Western railroads, as a body, have met the need for reduced fares. Passengers can buy books of scrip tickets good on any road between Chicago and the Pacific. The saving afforded varies with the length of the journey.

In their search for comfort, railroads have taken a tip from steamships. Instead of confining their effort purely to the business of carrying people from one place to another, they now entertain them en route. The observation car has been of prime importance in this move. Its aspect has changed completely. Drab furniture is barred. Rigid chairs have been replaced by comfortable davenport and easy chairs.

There is apt to be a combination radio-phonograph in one corner. Some lines have thought of showing motion-pictures. The car is broken up into small informal rooms. In instances the open observation platform has been eliminated, a glass-enclosed sunporch taking its place—the glass being the special kind which permits passage of the sun's ultra-violet rays.

Air-conditioning is probably the most impressive new development. The Baltimore and Ohio road has equipped three complete trains with it. Other roads have made it regular equipment in some cars. It assures a constant, healthful temperature no matter what climate the train is passing through. And it eliminates dust.

Thus the railroads are trying to encourage travel by considering comfort. It is their answer to Depression.

Though we have discussed here particularly those improvements in railroad comfort that have been introduced on western railroads, it should be understood that similar efforts are being made east of Chicago. Many of the improvements have originated in the East.

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The March of Events

Continued from page 40

departments (January 28). The appropriation for the 1933-34 prohibition enforcement activities of the Justice department is cut \$1,810,000 to \$8,440,000. The bill also carries a provision which will prevent the department from employing stool pigeons, tapping wires, and buying liquor in order to get evidence of law violation.

THE HOUSE (January 30) passes the Ways and Means Committee's bill continuing until June 30, 1934, the one cent a gallon tax on gasoline.

THE HOUSE approves a \$966,838,634 appropriation for the veterans' administration in the next fiscal year, after little or no debate (February 2). The "independent-office bill," which includes this huge figure, will total \$1,000,192,195. All other items are hotly contested on grounds of economy, but the veterans receive their portion without dissent.

IN THE next fiscal year—which starts four months after inauguration of Franklin Roosevelt—the President would have drastic powers of governmental reorganization, according to the terms of an amendment to the \$941,000,000 Post Office-Treasury appropriation bill passed (February 7) by the Senate. The amendment, offered by Senator Byrnes, would give the President power to reorganize any executive branch of the government; and Congress could control the proceedings only by legislative action. The House indicates it may not approve.

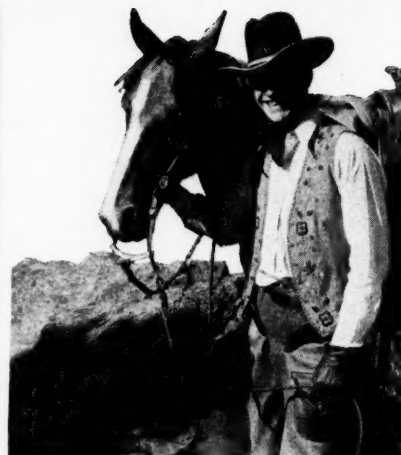
Business

Delaware and Hudson... No farm foreclosures... The bond market.

THE 870-mile Delaware and Hudson Railroad achieves a large measure of control over the 11,000-mile New York Central by completing (January 25) purchase of 10 per cent. of the latter's capital stock. It is the largest single block of stock held, and gives President Loree of the Delaware and Hudson an important position in forthcoming consolidation of eastern roads. A total of \$10,000,000 was paid for the 500,000 shares of stock bought.

FARMERS are given a breathing spell with announcement (January 30) by most important life insurance companies that foreclosure sales on mortgaged farms in the United States and Canada will be suspended by them. At farm auctions in the middle-west, exasperated farmers had either stopped sales or made "penny" bids. In the United States, life insurance companies have \$1,700,000,000 invested in such mortgages, some 60 per cent of the total being in the seven north-central western states.

AFTER April 1, Great Britain announces (January 30), manufactured goods to qualify for shipment under the Ottawa agreements must contain 50 per cent. empire material and labor, instead of the present 25 per cent. The ruling will ma-



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terially affect 1000 Canadian branch plants of American manufacturers.

THE Ford automobile works at Dearborn, Michigan, resume operations (February 3) after a ten-day shut-down necessitated by a strike of workers in the Briggs Body Plant. Four days later, the Hudson automobile works are shut by a strike. Workers in both plants had demanded higher pay, shorter hours.

WHEN a serious run begins on the Hibernia Bank and Trust Company, New Orleans, Louisiana's Governor Allen ends the possibility of hasty action on the part of depositors by declaring a state holiday (February 4) in commemoration of the sixteenth anniversary of the break in American-German relations.

THE average price level of bonds on the New York Stock Exchange on February 1 was 78.83—a 1.56 rise from the January 1 average of 77.27. This announcement (February 9) gives 1539 bond issues a total par value of \$41,172,601,809 and a market value of \$32,456,657,292. United States governments are strongest in average market value, followed in order by utilities, foreign governments, industrials, railways, and foreign companies.

War Debts

The stage is set for March discussions with Great Britain.

PRESIDENT HOOVER and President-elect Roosevelt, meeting at the White House (January 20), decide on a plan calculated to hasten debt considerations. Secretary Stimson is asked to advise foreign governments that the new President will be glad to confer separately with a representative from each any time after March 4.

SIR RONALD LINDSAY, British Ambassador, confers (January 29) with Mr. Roosevelt at Warm Springs, Georgia, about preliminary arrangements for the March discussions. Details of the conversation are not announced; but the talk is called "very satisfactory."

THE British government will not bargain with the United States over war debts, and will refuse trade concessions, according to Neville Chamberlain, Chancellor of the Exchequer, who is interviewed by American newspaper correspondents (February 1).

Europe

Irish election... Hitler comes to power... Denmark's steps.

PRESIDENT Eamon de Valera's Republican party defeats its chief rival, the party of William Cosgrave, in the national elections (January 24). (Page 36.)

KURT VON SCHLEICHER and his ministry resign their positions at the head of the German government (January 28). President Hindenburg had refused the Chancellor the right to dissolve the new Reichstag in the event that it failed to grant a vote of confidence, preferring to attempt formation of a majority coalition government. (Continued on page 60)



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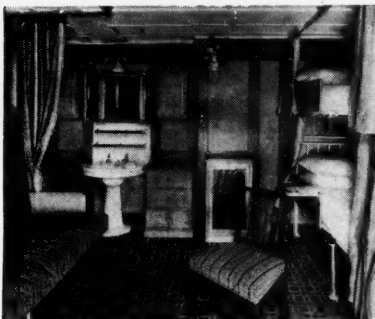
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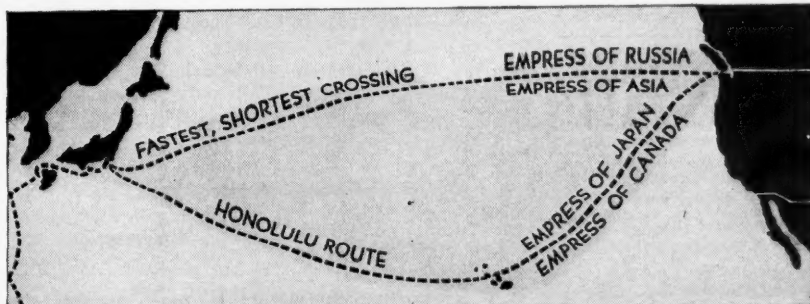
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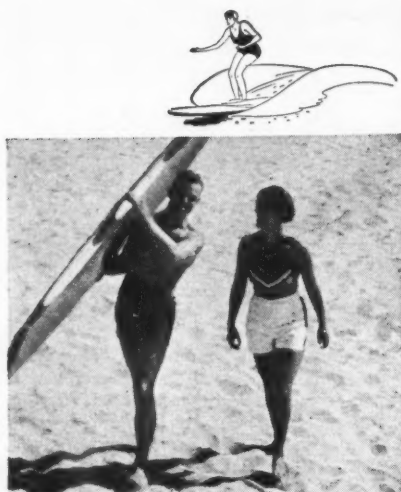
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The March of Events

Continued from page 59

RUMANIA's finances go under the direction of the League of Nations financial experts (January 28). She is the first country on the gold standard to submit to this procedure; but four non-gold nations have been receiving advice: Austria, Greece, Bulgaria, and Hungary.

ADOLF HITLER becomes Chancellor of Germany (January 30), succeeding Kurt von Schleicher. (See page 37.)

THREATENED widespread strikes in Denmark force the government to pass (January 31) stringent measures: all strikes and lockouts are prevented for one year; high interest rates on bank deposits are prohibited; a moratorium is declared on agricultural loans; property taxes are reduced; large numbers of cattle are to be destroyed as a means of raising the live-stock price levels; public works are to be increased; working hours to be shortened. In addition, the government allows the value of the krone to drop until it equals 22½ to the British pound, thus giving agriculture a higher yield for produce shipped to Great Britain.

PREMIER Edouard Daladier's government is given its first vote of confidence by the French Chamber of Deputies (February 3). It replaces the six-week old cabinet of Premier Paul-Boncour, which fell when it attempted to reduce the pay of civil service employees.

China and Japan

The Committee of Nineteen and Japan spar for an advantage.

JAPAN tells China that if troop concentration continues near Shanhai-kwan—which Japan seized early in January—"unfortunate eventualities" might occur. Next day (January 21) the League is notified that Russian and United States absence from a conciliation commission would not induce Japan to enter as long as the Lytton report is to be used as a basis for settlement. The Committee then decides to drop efforts at conciliation and draw up a report of the situation for the Assembly.

PUBLICATION of the first part of the Nineteen's report to the Assembly (January 31) reveals that Japan is considered largely to blame for Manchurian difficulties.

THE Committee of Nineteen definitely rejects (February 4) what are said to be Japan's last suggestions. These are that the Nineteen no longer consider recognition of Manchukuo an unsatisfactory solution; and that the proposed conciliation group be instructed to assist but not conduct negotiations.

In a sudden note to Japan (February 9) the Committee of Nineteen asks pointblank if that country is willing to accept the restoration of Manchuria to China. The Japanese immediately reply that they are not. For the first time the

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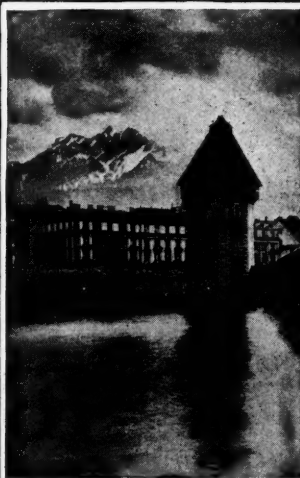
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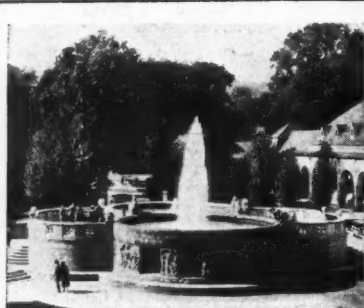
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The March of Events

Continued from page 60

question of the Jehol incident is officially raised when the Nineteen verbally tell Yosuke Matsuoka, Japanese representative in Geneva, that continued military movements there might endanger efforts at conciliation.

South of the U. S. A.

Stimson calls for peace . . . Big Four organize.

PERU is asked by Secretary Stimson to stop preparing for war with Colombia and accept the Brazilian offer to administer the disputed Leticia region until a permanent adjustment is arranged (January 25). The Secretary's note calls attention to the fact that Peru is violating the Kellogg Pact and 1928 and 1932 agreements renouncing a resort to war in South America.

GENERAL Augusto Sandino, Nicaraguan insurgent leader, makes peace with the government of President Sacasa (February 2). For five years the cause of many troubles in Nicaragua, Sandino says his peace overtures are the result of American military withdrawal from the region.

BRAZIL, Argentina, Chile, and Peru (the South American Big Four) set themselves up as a permanent organization claiming exclusive jurisdiction over future conflicts on the South American continent (February 3). The United States, it is made plain, is not wanted in the settlement of future disputes.

Obituary

SIR ROBERT JONES, 74. British orthopedic surgeon and expert on infantile paralysis. He was decorated with the American army's Distinguished Service Cross—(January 15).

LIEUTENANT IRVIN A. WOODRING, 31. Leading aviator of the American army. Killed while testing a new plane at Dayton, Ohio—(January 20).

GEORGE MOORE, 80. Irish poet, dramatist, and author of "Story Teller's Holiday" (banned from America) and "Aphrodite in Aulis"—(January 21).

MISS ELIZABETH MARBURY, 77. War worker, suffragette, expert in civic, theatrical, and literary affairs in New York. Member of the Democratic National Committee—(January 22).

JOHN GALSWORTHY, 65. British novelist and Nobel Prize winner for literature in 1932. Beloved author of the famous Forsyte Saga series—(January 31).

COUNT ALBERT APPONYI, 86. Great Hungarian statesman and dean of all delegates to the League of Nations. Europe's greatest aristocrat, he was a lifelong democrat—(February 7).

DR. LAWRENCE FRASER ABBOTT, 73. Editor and publisher of the *Outlook* from 1891 till 1922; nicknamed "Teddy Roosevelt's Boswell" and noted for his extreme anti-Germanism in the World War—(February 7).



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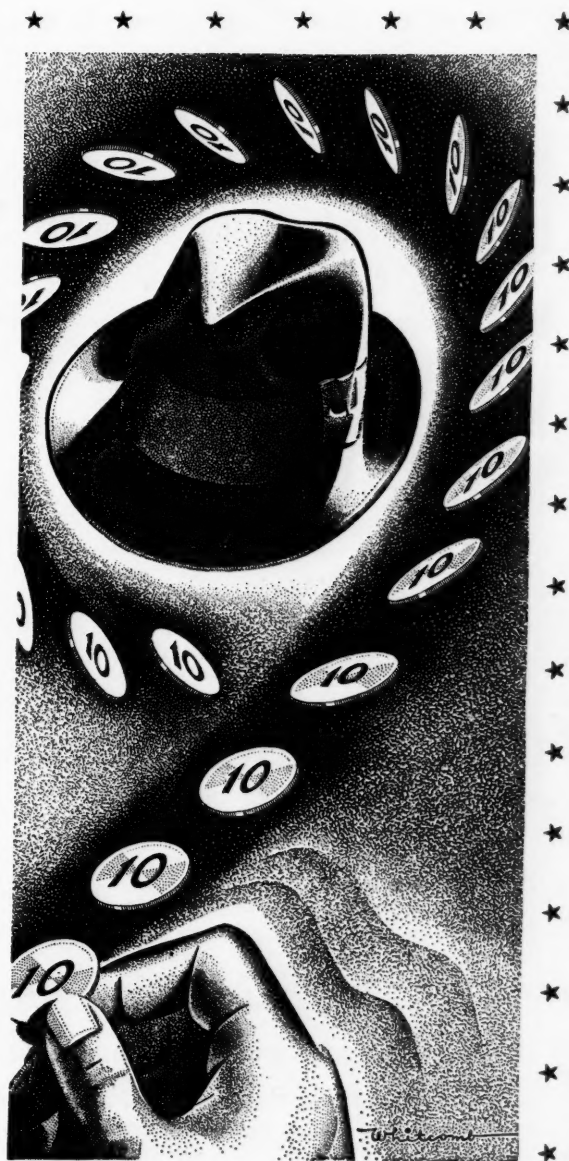
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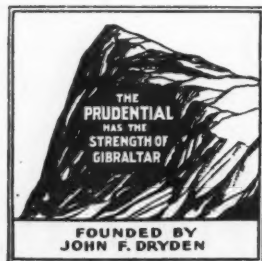
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